



SUNDART HOLDINGS LIMITED
承達集團有限公司

(incorporated under the laws of British Virgin Islands with limited liability)

Stock code : 1568

Global Offering

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager



**Guotai Junan Securities
(Hong Kong) Limited**

IMPORTANT

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



SUNDART HOLDINGS LIMITED

承達集團有限公司

(incorporated under the laws of British Virgin Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	500,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	50,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	450,000,000 Shares (subject to the Over-allotment Option and reallocation)
Offer Price	:	Not more than HK\$1.45 and expected to be not less than HK\$1.30 per Offer Share (payable in full upon application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%
Nominal value	:	Nil
Stock code	:	1568

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Guotai Junan Securities (Hong Kong) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

See "Risk Factors" for a discussion of certain risks that you should consider before investing in the Shares. Before making an investment decision, prospective investors should consider carefully all information set out in this Prospectus.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 17 December 2015 and, in any event not later than Friday, 18 December 2015. The Offer Price will be not more than HK\$1.45 per Offer Share and is currently expected to be not less than HK\$1.30 per Offer Share, unless otherwise announced.

Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$1.45 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$1.45 per Offer Share. If, for any reason, the Offer Price is not agreed by Friday, 18 December 2015 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

11 December 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications through the White Form eIPO service through the designated website at www.eipo.com.hk (Note 2)	11:30 a.m. on Wednesday, 16 December 2015
Application lists of the Hong Kong Public Offering open at (Note 3)	11:45 a.m. on Wednesday, 16 December 2015
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC (Notes 3 and 4)	12:00 noon on Wednesday, 16 December 2015
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 16 December 2015
Application Lists of the Hong Kong Public Offering close (Note 2)	12:00 noon on Wednesday, 16 December 2015
Expected Price Determination Date (Note 5)	Thursday, 17 December 2015
Announcement of the final Offer Price, level of indication of interest in the International Placing, level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk ; and on the website of our Company at www.sundart.com	Monday, 28 December 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk , the website of our Company at www.sundart.com and the designated website at www.iporeresults.com.hk as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" of this Prospectus from	Monday, 28 December 2015
Dispatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before (Notes 7 to 12)	Monday, 28 December 2015

EXPECTED TIMETABLE⁽¹⁾

Dispatch of White Form e-Refund payment instructions/
refund cheques in respect of wholly successful (where applicable)
or wholly or partially unsuccessful applications pursuant to
the Hong Kong Public Offering on or before (*Notes 6, 8 to 12*) Monday, 28 December 2015

Dealings in Shares on the Stock Exchange to commence on Tuesday, 29 December 2015

Notes:

1. All times refer to Hong Kong local time. Details of the Structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this Prospectus.
2. You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., the applicant will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 December 2015 the application lists will not open on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus. If the application lists do not open and close on Wednesday, 16 December 2015, the dates mentioned in “Expected Timetable” may be affected. An announcement will be made by us in such event.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this Prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 17 December 2015, and in any event no later than Friday, 18 December 2015 (Hong Kong time). If, for any reason, the Offer Price is not agreed on or before 5:00 p.m. on Friday, 18 December 2015 (Hong Kong time), the Global Offering will not proceed.
6. e-Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
7. Share certificates for the Hong Kong Offer Shares will become valid certificates of title at 8:00 a.m. on Tuesday, 29 December 2015 (Hong Kong time), provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
8. Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Form may collect their refund cheque(s) (where applicable) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops

EXPECTED TIMETABLE⁽¹⁾

1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 December 2015. Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection.

9. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
10. For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Monday, 28 December 2015. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 28 December 2015 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of share certificates and refund monies" in this Prospectus for details.
11. For applicants who have applied through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Refund payment instructions on Monday, 28 December 2015. For applicants who have applied through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on or before Monday, 28 December 2015 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this Prospectus for details.
12. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

For details of the structure of the Global Offering, including conditions thereof, please refer to "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

CONTENTS

This Prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied upon by you as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information which may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau in 2005. In 2014, in terms of revenue, we were the largest fitting-out contractor in Hong Kong and Macau with approximately 6.1% of Hong Kong market share and 15.5% of Macau market share, respectively, according to Ipsos Report. We acquired Kin Shing, a general building contractor in October 2010 to expand our capability as a general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories, and commercial projects. Further, we manufacture interior decorative timber products such as fire-rated timber door and wooden furniture, through Dongguan Sundart, the majority of which are used for our projects.

We have primarily focused on providing fitting-out works in private sector in Hong Kong and Macau. In addition, we provided fitting-out works under two projects and are in the process of providing fitting-out works under three projects in Hong Kong as a fitting-out subcontractor in public sector during the Track Record Period and up to the Latest Practicable Date. In addition, we generated revenue from alteration and addition and construction works in Hong Kong and from manufacturing, sourcing and distribution of interior decorative materials business for sales globally. Our discontinued operations carried out by Sundart Beijing (which ceased to be a member of our Group) had been focused on providing fitting-out works in the PRC.

The following table sets forth our revenue by business segments for the periods indicated.

	2012		Year ended 31 December 2013				2014		Eight months ended 31 August 2015			
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total		
Continuing operations												
Fitting-out												
— Hotel and serviced apartment	519.5	25.0	322.7	13.0	1,292.5	37.5	388.5	21.7	1,743.3	57.4		
— Residential property	496.4	23.9	561.0	22.6	673.5	19.5	374.0	20.9	472.3	15.5		
— Others ⁽¹⁾	243.1	11.6	6.2	0.2	17.6	0.5	15.7	0.8	91.9	3.0		
Sub-total	1,259.0	60.5	889.9	35.8	1,983.6	57.5	778.2	43.4	2,307.5	75.9		
Alteration and addition and construction	309.8	14.9	670.4	26.9	308.9	9.0	202.7	11.3	387.3	12.8		
Manufacturing, sourcing and distribution of interior decorative materials	184.2	8.9	71.9	2.9	44.2	1.3	41.6	2.3	6.4	0.2		
Continuing operations	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9		
Discontinued operations⁽²⁾	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1		
Total	2,080.0	100.0	2,486.5	100.0	3,449.0	100.0	1,793.2	100.0	3,039.2	100.0		

SUMMARY

Notes:

- (1) Included public buildings, commercial buildings and shopping malls.
- (2) Our fitting-out business in the PRC carried out by Sundart Beijing was disposed in 2015 and has been reclassified as discontinued operations to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior years. The reclassification has no impact on our Group's overall results. See "Business — Our Business Model — Discontinued Operations".

The following table sets forth our revenue by geographic locations for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2012		2013		2014		2014		2015	
	<i>(HK\$ in millions)</i>	<i>% of total</i>	<i>(HK\$ in millions)</i>	<i>% of total</i>	<i>(HK\$ in millions)</i>	<i>% of total</i>	<i>(HK\$ in millions)</i>	<i>% of total</i>	<i>(HK\$ in millions)</i>	<i>% of total</i>
Continuing operations										
Macau	232.5	11.2	120.4	4.8	1,246.9	36.2	326.9	18.3	1,651.5	54.4
Hong Kong	1,318.2	63.4	1,386.2	55.7	1,090.1	31.6	654.5	36.5	1,045.6	34.4
China	115.5	5.6	66.0	2.7	22.5	0.7	22.3	1.2	1.3	0.0
Others ⁽¹⁾	86.8	4.1	59.6	2.4	(22.8)	(0.7)	18.8	1.0	2.8	0.1
Subtotal	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9
Discontinued operations in China										
	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1
Total:	<u>2,080.0</u>	<u>100.0</u>	<u>2,486.5</u>	<u>100.0</u>	<u>3,449.0</u>	<u>100.0</u>	<u>1,793.2</u>	<u>100.0</u>	<u>3,039.2</u>	<u>100.0</u>

Note:

- (1) Included our revenue from our fitting-out works for two hotel projects in Russia and revenue generated from manufacturing, sourcing and distribution of interior decorative materials to Qatar, Abu Dhabi, the United States, the United Kingdom, Philippines, Canada and Singapore. For details of our fitting-out works for two hotel projects in Russia, see "Business — Business Activities in Sanctioned Country".

During the Track Record Period, the provision of fitting-out works for a number of five-star hotel and serviced apartment projects, in Macau, including six five-star hotel fitting-out projects in 2014 and eight hotel and serviced apartment fitting-out projects for the eight months ended 31 August 2015, was the key driver for our growth. All of our projects, including such projects in Macau, are not recurring in nature.

SUMMARY

The following table sets forth our gross profit and gross margin for continuing operations for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions, except for percentage)</i>				
Gross profit					
— Fitting-out	162.9	139.5	271.6	120.3	363.9
— Alteration and addition and construction	11.3	81.9	15.6	13.6	17.0
— Manufacturing, sourcing and distribution of interior decorative materials	46.3	20.4	0.9	3.0	(2.1)
Overall	220.5	241.8	288.1	136.9	378.8
Gross profit margin					
— Fitting-out	12.9%	15.7%	13.7%	15.5%	15.8%
— Alteration and addition and construction	3.6%	12.2%	5.1%	6.7%	4.4%
— Manufacturing, sourcing and distribution of interior decorative materials	25.1%	28.4%	2.0%	7.2%	(32.8%)
Overall	12.6%	14.8%	12.3%	13.4%	14.0%

Since the tender price of our fitting-out and alteration and addition and construction works is based on our estimated project costs plus a mark-up margin, our overall gross profit margin remained relatively stable during the Track Record Period as we were able to properly control our costs.

The gross profit margin for our alteration and addition and construction business increased from 3.6% for the year ended 31 December 2012 to 12.2% for the year ended 31 December 2013 primarily due to a higher profit margin we achieved for an alteration and addition and construction project for a five-star hotel located at North Point, Hong Kong in 2013, the substantial completion of which in 2013 resulted in the decrease of our gross profit margin for our alteration and addition and construction business back to 5.1% for the year ended 31 December 2014.

Our gross profit margin for our manufacturing, sourcing and distribution of interior decorative materials business increased from 25.1% for the year ended 31 December 2012 to 28.4% for the year ended 31 December 2013 primarily due to the sales of timber products to Yantai Shentong Import Export Company Limited in relation to two hotel projects in Russia with a high gross profit margin, which accounts for higher proportion of the total sales in 2013. Our sales of timber products to Yantai Shentong Import Export Company Limited discontinued in November 2013, resulting in a decrease in our gross profit margin for our manufacturing, sourcing and distribution of interior decorative materials business to 2.0% for the year ended 31 December 2014. Such decrease was also due to the additional repair and modification works we performed at our own cost starting from 2014. Our gross profit margin for manufacturing, sourcing and distribution of interior decorative materials business was 7.2% for the eight months ended 31 August 2014 and our gross loss margin was 32.8% for the eight months ended 31 August 2015, primarily due to no substantial sales as well as the additional repair and modification works we performed at our own cost for the eight months ended 31 August 2015.

SUMMARY

OUR BUSINESS MODEL

Our business model comprises of the following:

Continuing Operations	Fitting-out	Our fitting-out works are undertaken with respect to the interior spaces of the property after the property has been structurally completed by the main contractor and before such property be suitable for occupation or be available to be handed over to property purchasers, excluding electrical and mechanical installation. The scope of our works may differ depending on the types of properties involved, see “Business — Our Business Model — Continuing Operations — Fitting-out business” and “Business — Fitting-out Business — Our projects”.
	Alteration and Addition and Construction	Our responsibilities for alteration and addition and construction works primarily consist of demolition alteration, upgrading and fitting-out works, changes in facilities configuration; fabrication, modification, removal, or installation of hardware and equipment; signs; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; and other works that upgrade the general condition of buildings and their facilities.
	Manufacturing, Sourcing and Distribution of Interior Decorative Materials	We also manufacture interior timber products such as fire-rated timber doors and wooden furniture through Dongguan Sundart. In addition, Dongguan Sundart also provides re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by us.
Discontinued Operations	Our discontinued operations referred to the fitting-out business carried out by Sundart Beijing in the PRC. Sundart Beijing ceased to be our subsidiary since April 2015. By June 2015, we disposed the entire equity interest held by us in Sundart Beijing. See “History, Development and Reorganisation”.	

OUR WORK PORTFOLIO

We have undertaken a number of sizeable fitting-out projects in Hong Kong and Macau. Our ability to undertake and complete sizeable fitting-out projects has primarily fuelled the growth of our revenue from continuing operations and profit during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our revenue from the top five projects from continuing operations in terms of revenue recognised amounted to HK\$613.1 million, HK\$632.0 million, HK\$931.5 million and HK\$1,048.6 million, representing 35.0%, 38.7%, 39.9% and 38.8% of our total revenue from continuing operations, respectively, and our revenue from the largest project from continuing operations in terms of revenue recognised amounted to HK\$165.7 million, HK\$167.8 million, HK\$274.2 million and HK\$264.8 million, representing 9.5%, 10.3%, 11.7% and 9.8% of our total revenue from continuing operations, respectively.

SUMMARY

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, we completed 16, 11, 14 and 12 fitting-out projects and seven, 13, 12 and 11 alteration and addition and construction projects, respectively. The following table sets forth an analysis of the movement of our projects for the periods indicated.

	Year ended 31 December						Eight months ended 31 August 2015						
	2012		2013			2014			2015			Projects carried forward	
	Projects brought forward	New Projects	Completed projects	Projects brought forward	New Projects	Completed projects	Projects brought forward	New Projects	Completed projects	Projects brought forward	New Projects		Completed projects
Fitting-out projects	19	17	16	20	25	11	32 ⁽²⁾	27	14	45	11	12	44
Alteration and addition and construction projects	2	12	7	7	15	13	9	13	12	10	9	11	8

Notes:

- (1) We confirm obtaining new projects upon the execution of fitting-out or alteration and addition and construction agreements. The time of project completion is evidenced by either the completion time provided in the certificates of practical completion we have received up to the Latest Practicable Date or the estimated completion time that our QS staff estimates to be contained in the certificate of practical completion to be issued by our customer later upon actual completion of fitting-out or alteration and addition and construction works.
- (2) Two hotel projects in Russia were discontinued in November 2013.

As at the Latest Practicable Date, we had a total of 41 fitting-out projects in progress with a total contract sum of HK\$5,609.5 million and out of which (i) a total of HK\$115.5 million had been recognised before the Track Record Period; (ii) a total of HK\$623.2 million had been recognised during the years ended 31 December 2012, 2013 and 2014; (iii) HK\$1,809.0 million is expected to be recognised for the year ending 31 December 2015; (iv) HK\$2,963.2 million is expected to be recognised for the year ending 31 December 2016; and (v) HK\$98.6 million is expected to be recognised for the year ending 31 December 2017. In addition, as at the Latest Practicable Date, we had a total of nine alteration and addition and construction projects in progress with a total contract sum of HK\$922.4 million and out of which (i) a total of HK\$60.0 million had been recognised during the years ended 31 December 2012, 2013 and 2014; (ii) HK\$494.7 million is expected to be recognised for the year ending 31 December 2015; and (iii) HK\$367.7 million is expected to be recognised for the year ending 31 December 2016. Other than those projects in progress, we had one alteration and addition and construction contract on hand which had yet to be commenced as at the Latest Practicable Date with a contract sum of HK\$9.8 million, all of which is expected to be recognised for the year ending 31 December 2016.

SALES AND MARKETING

Our projects were mainly awarded by way of tenders invited or quotations requested by our customers directly during the Track Record Period. As a common market practice, potential customers usually select not less than three fitting-out contractors as candidates for the tender. Generally, it takes approximately three to four months from receipt of the tender documents to award of contract. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our overall tender success rate for fitting-out projects was 30.6%, 15.4%, 35.3% and 11.4% respectively. The tender price of our fitting-out projects is generally based on our estimated project costs plus a mark-up margin. Our Directors consider that our reputation and ranking in the industry, our past project references, our technical expertise and our good relationships with customers, are our strengths to explore future projects.

OUR CUSTOMERS

During the Track Record Period, the majority of our revenue were derived from our fitting-out projects in private sector. Therefore, almost all of our customers are either property developers, hotel owners or main contractors in Hong Kong or Macau. Credit terms granted to our customers range from 30 to 45 days after the issuance of the payment request sheet or payment certificate during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, sales to our five largest customers accounted for approximately 40.8%, 50.2%, 67.6% and 66.9% of

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our revenue from continuing operations, respectively, and sales to our largest customer accounted for approximately 10.2%, 11.6%, 21.2% and 19.0% of our revenue from continuing operations, respectively. One of our five largest customers for the year ended 31 December 2013 was a former shareholder of our Company, before Jangho HK acquired the entire interest in our Company in December 2014.

Generally, projects are awarded to us on a project basis and are non-recurring in nature. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with any of our customers. The terms and conditions of the agreements with our customers vary from customer to customer and were generally in line with the market practice. The duration of our projects from commencement to completion of fitting-out works during the Track Record Period varied from 12 months to 18 months.

SUPPLIERS AND SUBCONTRACTORS

Our suppliers include subcontractors and manufacturers or distributors of raw materials. Depending on the requirements of our customers, we may be responsible for purchasing interior decorative materials such as timber product, marble, metal hardware and sanitary ware for the purpose of fitting-out projects, while in other case our subcontractors may be responsible for purchasing all such materials for the purpose of fitting-out projects in accordance with their contracts with us. Generally, depending on the nature of the fitting-out works, we employ our own workers to handle the more complicated parts of the projects, such as joinery and marble works, so as to better control the quality and schedule of our works, and outsource certain labour intensive works, such as plastering and painting works, to subcontractors by entering into separate contracts with them. In general, our creditors and suppliers granted us average credit period ranging from 14 to 30 days during the Track Record Period. As at the Latest Practicable Date, we directly employed over 80 local site workers in Macau and 15 full-time site workers in Hong Kong. In addition, we have maintained long-standing relationship with over 300 skilled site workers in Hong Kong and Macau, whom are employed by us on project basis for our fitting-out projects in Hong Kong and Macau. As at the Latest Practicable Date, we had over 200 subcontractors, of which above 100 have had five years or above working relationship with us.

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, purchases attributable to our five largest suppliers and subcontractors represented approximately 17.4%, 22.8%, 27.4% and 23.0% of our total purchase from continued operations, respectively, and purchases attributable to our largest supplier represented approximately 3.9%, 7.0%, 9.3% and 7.3% of our total purchase from continued operations, respectively.

BUSINESS ACTIVITIES IN SANCTIONED COUNTRY

During the Track Record Period, we (i) carried out fitting-out works as a sub-contractor for two hotel projects in the Sanctioned Country; and (ii) sold to Yantai Shentong Import Export Company Limited, being our customer in the PRC, certain timber products which, to the best knowledge of our Directors, were ultimately supplied to the said hotels in the Sanctioned Country (“**Russia-related Business**”), and our Russia-related Business was discontinued by the end of 2013. Negotiations with respect to continuing the fitting-out works aspect of the Russia-related Business continued in 2014. These negotiations subsequently failed. From 1 January 2014 up to the Latest Practicable Date, we had not carried out Russia-related Business in nor have we derived any revenue from the Sanctioned Country or, to the best knowledge and belief of our Directors, with any Sanctioned Person. For the years ended 31 December 2012 and 2013, the revenue from our Russia-related Business accounted for approximately 10.1% and 7.1%, respectively, of our total revenue from continuing operations. For the year ended 31 December 2014, we reversed the accrued but uncollected revenue of HK\$44.2 million thus recorded a gross loss of HK\$45.2 million. Our Directors confirm that we do not have any present intention to undertake any future business in the Sanctioned Country, or with any Sanctioned Person, or which would otherwise be in breach of the United States, EU and Australian Sanctions.

We have been advised by our Sanctions Law Legal Advisers that there are no sanctions administered by the United States, the EU or Australia that would impose restrictions generally against our Russia-related Business. Further, our Sanctions Law Legal Advisers have advised that there is either no or very low sanction risk posed to our Company, its investors, Shareholders and the Stock Exchange and its related group companies in relation to our Russia-related Business. See “Business — Business Activities In Sanctioned Country” for details of our business activities in the Sanctioned Country and our

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undertakings to the Stock Exchange and the section headed “Risk Factors — Risks Relating To Our Business — We could be adversely affected as a result of our operations in Russia that is subject to evolving economic sanctions of the United States government, the EU, Australia and other relevant states” for the risks in relation to our business activities in the Sanctioned Country.

MATERIAL LICENSES AND QUALIFICATION

There are no particular licensing or registration requirements for fitting-out subcontractors to carry out fitting-out works in both public and private sectors in Hong Kong, except for tendering for turn-key interior design and fitting-out works in public sector in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, our Group had not taken up turn-key interior design and fitting-out works in public sector in Hong Kong. As at the Latest Practicable Date, the licensing and registration requirements for fitting-out works in Macau apply on main contractor or the first trade contractor as mentioned in “Regulatory Overview” did not apply to our Group as subcontractor. In relation to our alteration and addition and construction business in Hong Kong, our subsidiary, Kin Shing held the following qualifications.

Qualification	Awarding authority	Year of grant (with time of renewals from the Track Record Period and up to the Latest Practicable Date)	Expiry time
Approved Contractor on the List of Approved Contractors for Public Works in the Category of Buildings (Group C on Probation)	WBDB	1996	Not specified ⁽¹⁾
Registered General Building Contractor	Building Authority ⁽²⁾	1999 (renewed in November 2012 and August 2015)	November 2018
Registered Specialist Contractor (Sub-register of Site Formation Works)	Building Authority ⁽²⁾	2000 (renewed in November 2012 and January 2015)	January 2018
Registered Specialist Contractor (Sub-register of Foundation Works)	Building Authority ⁽²⁾	2000 (renewed in September 2012 and July 2015)	June 2018

Notes:

- (1) There is no specific expiry date and the retention is subject to fulfilment of the criteria provided in the ETWB Contractor Management Handbook and any regulatory actions taken by WBDB. See “Regulatory Overview”.
- (2) According to section 2 of the Buildings Ordinance, Building Authority means the Director of Buildings. The Director of Buildings is responsible for the Buildings Department.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe the following competitive strengths distinguish us from our competitors: (i) established reputation and proven track record; (ii) long working relationships with major property developers and hotel owners in Hong Kong and Macau; (iii) expertise in re-engineering and pre-fabrication technique for sizeable fitting-out projects; (iv) competitive edge on material costs and arrangements provided internally or with reliable suppliers and subcontractors; (v) international accreditation for interior decorative products manufactured and qualification for construction; (vi) experienced and efficient management team; and (vii) commitment to safety, quality and environment through well-established management systems.

We aim to strengthen our market position in the fitting-out industry in Hong Kong and Macau and, if suitable opportunity arises, explore new business opportunities by pursuing the following strategies: (i) solidify our position in the fitting-out markets in Hong Kong and Macau; (ii) further diversify our fitting-out business and expand our presence to new business segment; (iii) strengthen our research and development capabilities and technical leadership; (iv) continue to further enhance our brand name recognition; (v) continue to emphasise and maintain high standards of project planning, management and implementation; and (vi) adhere to prudent financial management to ensure sustainable growth and capital sufficiency.

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RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong, Macau and the PRC; and (iv) risks relating to the Global Offering and our Shares.

We believe that the following are some of the major risks that may have a material adverse effect on us: (i) our customers pay us by way of progress payment and require retention money from us, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is released to us on time and in full, after the expiry of the defect liability period; (ii) our business is project-based and our revenue mix and profit margin may fluctuate; (iii) we estimate time and costs to determine the tender price and our failure to make accurate estimate may lead to cost overruns or even losses in our projects; (iv) our contracts are not recurring in nature and our future business depends on our continuing success on project tender; and (v) we depend on our subcontractors to complete a substantial part of the works of our projects and to implement safety measures or procedures during our courses of execution of works.

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section entitled “Risk Factors” of this Prospectus before you decide to invest in the Offer Shares.

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of our Group. We have derived the summary consolidated financial information from the consolidated financial statements of our Group prepared in accordance with HKFRS set forth in the accountants’ report in Appendix I to this Prospectus. You should read the summary consolidated financial information together with the consolidated financial statements in this Prospectus, including the related notes.

Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data

	For the year ended 31 December			For the eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions)</i>				
Continuing operations					
Revenue	1,753.0	1,632.2	2,336.7	1,022.5	2,701.2
Gross profit	220.5	241.8	288.1	136.9	378.8
Profit before taxation	123.4	152.9	205.8	85.0	304.7
Profit for the year/period	107.2	126.5	175.4	70.8	263.0
Discontinued operations					
Profit for the year/period from discontinued operations	2.6	22.4	3.3	4.3	9.4
Profit for the year/period	<u>109.8</u>	<u>148.9</u>	<u>178.7</u>	<u>75.1</u>	<u>272.4</u>
Total comprehensive income (expense) for the year/period attributable to:					
Owners of our Company	106.6	148.2	176.4	71.5	297.0
Non-controlling interest	(0.2)	6.7	1.2	1.1	(0.3)
	<u>106.4</u>	<u>154.9</u>	<u>177.6</u>	<u>72.6</u>	<u>296.7</u>

SUMMARY

Selected Consolidated Statements of Financial Position Data

	As at 31 December			As at 31
	2012	2013	2014	August 2015
	<i>(HK\$ in millions)</i>			
Non-current assets	52.0	47.2	109.5	264.3
Current assets	1,444.3	1,856.5	2,503.8	1,804.6
Total assets	1,496.3	1,903.7	2,613.3	2,068.9
Non-current liabilities	45.6	23.1	23.5	—
Current liabilities	913.3	1,208.3	1,732.4	1,410.2
Total liabilities	958.9	1,231.4	1,755.9	1,410.2
Total equity	537.4	672.3	857.4	658.7
Net current assets	531.0	648.2	771.4	394.4

Selected Consolidated Statements of Cash Flows Data

	For the year ended 31 December			Eight months ended	
	2012	2013	2014	31 August 2014	2015
	<i>(HK\$ in millions)</i>				
Net cash generated from (used in) operating activities	172.7	175.4	114.7	(88.6)	89.3
Net cash generated from (used in) investing activities	216.4	(8.3)	(121.8)	(79.6)	(25.3)
Net cash (used in) generated from financing activities	(469.0)	(115.1)	30.1	(11.1)	(229.9)

Selected Financial Ratios

The following table sets forth certain key financial ratios of our Group for the periods or as at the dates indicated.

	For the year ended or as at 31 December			For the eight months ended or as at 31 August
	2012	2013	2014	2015
	<i>(HK\$ in millions, except for day or percentage)</i>			
Gross profit margin for continuing operations	12.6%	14.8%	12.3%	14.0%
Net profit margin for continuing operations	6.1%	7.8%	7.5%	9.7%
Trade receivable turnover days	33	42	43	25
Trade payable turnover days	50	56	55	42
Gearing ratio	36.7%	12.2%	14.5%	22.4%
Current ratio	1.6	1.5	1.5	1.3
Quick Ratio	1.5	1.5	1.4	1.3

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Jangho HK has become our Controlling Shareholder since 26 June 2012 by acquiring 85% interests in our Company from Rykadan Capital Limited (“**Rykadan Capital**”). The consideration of such acquisition was HK\$493.0 million, which was determined after arm’s length negotiations between the parties with reference to the net asset value of our Company and its then subsidiaries as at 31 January 2012 (being approximately HK\$400.5 million on an unaudited and consolidated basis) and the market capitalisation of Rykadan Capital at the time of negotiation. In December 2014, Jangho HK further acquired the remaining 15% interests in our Company from Rykadan Capital, at the consideration of HK\$180.0 million, which was determined with reference to the unaudited carrying amount of the 15% interests in our Company as at 30 September 2014 (being approximately HK\$107.8 million as disclosed in Rykadan Capital’s announcement) plus a premium given by Jangho HK. See “History, Development and Reorganisation — History of Our Company”.

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Reach Glory will be beneficially interested in approximately 75% of the issued Shares of our Company. Reach Glory is solely and beneficially owned by Jangho HK, which is in turn solely and beneficially owned by Jangho Co., the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011. Pursuant to Circular 67, the Listing constitutes a spin-off of certain assets and businesses held by our Group by Jangho Co.. Our Company obtained (i) the approval by the shareholders of Jangho Co.; (ii) approval by Beijing People’s Government; and (iii) the non-objection confirmation by CSRC for the Listing. As at the Latest Practicable Date, Jangho Co. was beneficially owned, among others, as to approximately 24.70% by Mr. Liu and approximately 27.35% by Beijing Jiangheyuan, which is in turn beneficially owned as to 85% and 15% by Mr. Liu and his spouse, Ms. Fu, respectively. Accordingly, each of Reach Glory, Jangho HK, Jangho Co., Beijing Jiangheyuan, Mr. Liu and Ms. Fu is a Controlling Shareholder for the purpose of the Listing Rules.

As at the Latest Practicable Date, our Group principally carried out fitting-out works in Hong Kong and Macau, alteration and addition and construction works in Hong Kong and the manufacturing, sourcing and distribution of interior decorative materials business. Apart from our business, our Controlling Shareholders and their associates are currently operating (i) the provision of fitting-out works in the PRC; (ii) the provision of interior design services in the PRC and Hong Kong; and (iii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC and such businesses will not form part of our Group after Listing.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our principal business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure their close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our principal business.

RECENT DEVELOPMENT

Disposal of Sundart Beijing and Elite Tech

In order to ensure compliance with the relevant PRC non-competition requirement which in effect prohibits us from engaging in the fitting-out works in the PRC, on 24 April 2015, we disposed 50% equity interests in Sundart Beijing to Jangho HK at the consideration of approximately HK\$91.4 million, which was determined after arm’s length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014 (being approximately HK\$182.9 million). To further enhance the business delineation between Jangho Group and our Group, we disposed the remaining 25% equity interests we held in Sundart Beijing to Jangho HK on 25 June 2015 at the consideration of approximately HK\$45.7 million, which was determined after arm’s length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014 (being approximately HK\$182.9 million). We also disposed our entire equity interest in Elite Tech in June 2015 to simplify our Group’s structure. See “History, Development and Reorganisation — Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period”.

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Recent Downturn in Macau Gaming Industry

Macau's gaming industry has been experiencing a downturn, as evidenced by the decrease of approximately 35.1% in the year-on-year tax revenue from the industry in the third quarter of 2015. This downturn may continue in the near future. We experienced slowdown in our fitting-out business in Macau in relation to hotel and service apartment and casino projects in 2012 and 2013 and we may be adversely affected by the recent downturn of the Macau gaming industry which might mark the end of the high construction activity in new hotels, service apartments and casinos in Macau in recent years and a period of lower construction activity in Macau is expected to follow. As a result, the revenue of Macau's fitting-out industry is expected to decrease from MOP6,202.3 million in 2015 to MOP5,030.8 million in 2016 reaching another cyclic trough according to Ipsos Report. See "Risk Factors — Risks Relating to Macau — The economy of Macau may adversely affect our performance and financial condition". After the Track Record Period and up to the Latest Practicable Date, we obtained one contract for a hotel fitting-out project to be commenced in March 2016 in Macau with a contract sum of HK\$80.8 million, as compared with three new contracts awarded to us with a total contract sum of HK\$499.8 million during the same period last year. As at the Latest Practicable Date, we were in the progress of finalizing and executing the formal agreement with our customer. Save for the nine fitting-out projects in Macau with an aggregated contract sum of HK\$3,507.5 million which are in progress as at the Latest Practicable Date, we have not commenced any new fitting-out project after the Track Record Period and up to the Latest Practicable Date. In addition, after the Track Record Period and up to the Latest Practicable Date, we had not experienced any termination or material delay of our fitting-out projects in progress in Macau as result of the economy slowdown except for the proposed delay for a hotel project caused by the late delivery by the main contractor and the change of design, and we recorded revenue of HK\$522.8 million from our fitting-out projects in Macau. As at the date of the Prospectus, our Directors did not expect there will be any material adverse impact on our operations, financial or trading position in Macau since 31 August 2015, considering the progress of our ongoing fitting-out projects and our capacity. However, we cannot assure you that there will be no material adverse impact on our operation in Macau or at all if the economy slowdown in Macau takes a turn for the worse. We will keep monitoring the economy condition in Macau and make necessary arrangement to minimise the adverse impact on us.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on minimum indicative Offer Price of HK\$1.30	Based on maximum indicative Offer Price of HK\$1.45
Market capitalisation of our Shares ⁽¹⁾ Unaudited pro forma adjusted consolidated net tangible assets value per Share ⁽²⁾	HK\$2,600 million HK\$0.62	HK\$2,900 million HK\$0.66

Notes:

- (1) The calculation of market capitalisation is based on the 2,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets value per Share has been arrived at after adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets" to this Prospectus and on the basis of 2,000,000,000 Shares in issue at the indicative Offer Price of HK\$1.30 and HK\$1.45 per Offer Share immediately following completion of the Global Offering.

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DIVIDEND POLICY

We declared dividends of HK\$56.0 million, HK\$20.0 million and HK\$450.0 million for the years ended 31 December 2012 and 2013 and the eight months ended 31 August 2015, respectively, and did not declare any dividend for the year ended 31 December 2014, all of which had been fully paid up to the Latest Practicable Date. Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Our Directors consider that dividends to be declared and paid in future by our Group will depend on a number of factors. At present, our Directors intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders approximately 40% of our profits available for distribution for the financial years subsequent to the Listing. Such declarations of dividends, however, will only be recommended by our Directors after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the BVI Companies Act, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year subsequent to the Listing.

USE OF PROCEEDS

We currently intend to apply the net proceeds from the Global Offering of approximately HK\$626.4 million for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.38 per Offer Share, being the mid-point of the Offer Price range stated in this Prospectus:

Amount	Percentage of net proceeds	Purposes
approximately HK\$306.9 million	49%	Expand our fitting-out projects in Hong Kong, which will include payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs.
approximately HK\$181.7 million	29%	Expand our alteration and addition and construction business in Hong Kong, which will include procurement of equipment and payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs.
approximately HK\$62.6 million	10%	Expand our fitting-out projects in Macau, which will include payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs.
approximately HK\$12.5 million	2%	Hire additional staff for our business expansion.
approximately HK\$6.3 million	1%	Finance the procurement of upgraded equipment and machinery for Dongguan Sundart and strengthen our research and development capabilities in re-engineering and pre-fabrication.
approximately HK\$56.4 million	9%	General working capital of our Group.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this Prospectus.

SUMMARY

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds from the Global Offering to the above uses in the proportions stated above.

LISTING EXPENSES INCURRED AND TO BE INCURRED

All incremental costs that are directly attributable to the issue of new shares are recognised directly deducted from equity while any expenses attributable to listing of existing shares are charged to the profit and loss accounts in which the expenses are incurred. Assuming an Offer Price of HK\$1.38 per Offer Share (being the mid-point of the indicative offer price range stated in this Prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$63.6 million, of which HK\$29.4 million are expected to be charged to profit or loss for the year ending 31 December 2015 and the balance of HK\$34.2 million to be capitalised. We did not recognise any listing expenses during the Track Record Period.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Our Directors confirm that we have complied with the applicable laws and regulations in material respects in Hong Kong, Macau and the PRC (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date.

From time to time, we may become a party to various legal, arbitration or administrative proceedings that arise in the ordinary course of our business. The claims and litigations as well as pending and threatened claims and litigations against us during the Track Record Period are principally related to employees' compensation claims and personal injury claims. See "Business — Regulatory Compliance and Legal Proceedings — Legal proceedings and claims". Our Directors are of the view that none of such proceedings would have a material impact on our business, results of operations and financial condition, or on our Shares, the Global Offering and the Listing.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that at the date of this Prospectus, they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Prospectus, there had been no material adverse change in our financial or trading position since 31 August 2015, the end of period reported in the accountants' report set out in Appendix I to this Prospectus, and there had been no event since 31 August 2015 which would materially affect the information shown in the accountants' report set out in Appendix I to this Prospectus.

DEFINITIONS

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

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 1 December 2015 and to take effect prior to Listing, as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of our Company and BVI Companies Act” to this Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Jiangheyuan”	北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) (formerly known as 北京江河源工貿有限責任公司), a limited liability company established in the PRC on 27 November 1998, which is 85% and 15% beneficially owned by Mr. Liu and Ms. Fu (both being our Controlling Shareholders), and a Controlling Shareholder
“Board” or “Board of Directors”	the board of Directors of our Company
“Building Authority”	the Director of Buildings of Hong Kong
“Buildings Department”	the Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“BVI Companies Act”	BVI Business Companies Act
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of any distributable reserve of our Company as referred to “Appendix IV — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015” to this Prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Circular 67”	Circular on Issues Concerning Regulating Overseas Listing of Subsidiaries of Domestic Listed Companies (Zheng Jian Fa [2004] No.67) (《關於規範境內上市公司所屬企業到境外上市有關問題的通知》) (證監發[2004]67號) promulgated by the CSRC on 21 July 2004
“close associate”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company” or “our Company”	SUNDART HOLDINGS LIMITED (承達集團有限公司) (formerly known as UNITED SCOPE INC.), a BVI business company with limited liability incorporated in the BVI on 21 May 2001
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Liu, Ms. Fu, Beijing Jiangheyuan, Jangho Co., Jangho HK and Reach Glory
“core connected person”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 8 December 2015 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) as referred to in “Appendix IV — Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnities” to this Prospectus
“Deed of Non-Competition”	a deed of non-competition dated 8 December 2015 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) as set out in “Relationship with Controlling Shareholders — Deed of Non-Competition” in this Prospectus
“Development Bureau”	the Development Bureau of the Hong Kong Government
“Director(s)”	the director(s) of our Company
“Dongguan Sundart”	東莞承達家居有限公司 (Dongguan Sundart Home Furnishing Co., Ltd.) (formerly known as 東莞承達木材製品有限公司 (Dongguan Sundart Timber Products Co., Ltd.)), a limited liability company established in the PRC on 23 September 1992 and an indirect wholly-owned subsidiary of our Company
“Eagle Vision”	EAGLE VISION DEVELOPMENT LIMITED, a limited liability company incorporated in the BVI on 2 January 2014 and an associate company of our Company beneficially owned as to 28.57% by Gloryeild, 28.57% by Health Capital Enterprises Limited (an indirect non-wholly owned subsidiary of Jangho Co.) and 42.86% by Peacemark Enterprises Limited (a wholly-owned subsidiary of Jangho HK)
“Easy Glory”	EASY GLORY HOLDINGS LIMITED, a limited liability company incorporated in the BVI on 21 October 2014 and an indirect wholly-owned subsidiary of our Company
“EC Board”	Employees’ Compensation (Ordinary Assessment) Board in Hong Kong
“Elite Base”	Elite Base Engineering Limited (耀正工程有限公司), a limited liability company incorporated in Hong Kong on 10 June 2011 and an indirect wholly-owned subsidiary of our Company
“Elite Tech”	Elite Tech Holdings Limited (達賢集團有限公司), a limited liability company incorporated in Hong Kong on 25 March 2011 and a former subsidiary of our Company

DEFINITIONS

“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“EMSD”	Electrical and Mechanical Services Department (機電工程署) of the Hong Kong Government
“Environmental Protection Department”	Environmental Protection Department of the Hong Kong Government
“ETWB”	Environment, Transport and Works Bureau (環境運輸及工務局) of the Hong Kong Government, formerly a policy bureau of the Hong Kong Government, the duties of which are now taken over by the Environment Bureau, Transport and Housing Bureau and WBDB following the reorganisation of the Policy Bureau and Government Secretariat
“EU”	the European Union
“First Six-month Period”	the period commencing on the date of this Prospectus and ending on the date which is six months from the Listing Date
“GFA”	the gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gloryeild”	GLORYEILD ENTERPRISES LIMITED, a limited liability company incorporated in the BVI on 2 January 2014 and a direct wholly-owned subsidiary of our Company
“Glory Spring”	GLORY SPRING INVESTMENTS LIMITED, a limited liability company incorporated in the BVI on 28 May 2010 and a direct wholly-owned subsidiary of our Company
“Grace United”	Grace United Development Limited (合欣發展有限公司), a limited liability company incorporated in Hong Kong on 15 February 2012 and an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group” or “our Group” or “we” or “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and its former subsidiaries (if any) and the businesses operated by them
“Guotai Junan Capital” or “Sole Sponsor”	Guotai Junan Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sole sponsor to the Listing
“Guotai Junan Securities” or “Sole Global Coordinator” or “Sole Lead Manager” or “Sole Bookrunner”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to engage in type 1 (dealing in securities) and type 4 (advising on securities) of the regulated activities as defined under the SFO, acting as the sole global coordinator, sole bookrunner and sole lead manager of the Global Offering
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Public Offering”	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this Prospectus and the Application Forms
“Hong Kong Offer Shares”	the 50,000,000 Shares initially being offered for subscription at the Offer Price in the Hong Kong Public Offering, subject to adjustment
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this Prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 10 December 2015 in relation to the Hong Kong Public Offering entered into among our Company, our executive Directors, our Controlling Shareholders, the Hong Kong Underwriters and the Sole Global Coordinator and the Sole Sponsor
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Placing”	the conditional placing by the International Underwriters of the International Placing Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional and institutional investors in Hong Kong, details of which are described in “Structure of the Global Offering” in this Prospectus and on and subject to the terms and conditions stated in the International Placing Agreement
“International Placing Agreement”	the underwriting agreement in relation to the International Placing expected to be entered into on the Price Determination Date between our Company, our executive Directors, the Controlling Shareholders, the International Underwriters and the Sole Global Coordinator
“International Placing Shares”	the 450,000,000 Shares offered under the International Placing (subject to reallocation and the Over-allotment Option as described in “Structure of the Global Offering” of this Prospectus)
“International Underwriters”	the underwriters of the International Placing
“Ipsos”	Ipsos Limited, an independent global market research company
“Jangho Co.”	江河創建集團股份有限公司 (Jangho Group Co., Ltd.) (formerly known as 北京江河幕牆股份有限公司 (Beijing Jangho Curtain Wall Co., Ltd.) and 北京江河幕牆裝飾工程有限公司), a joint stock limited liability company established in the PRC on 4 February 1999 (the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011) and a Controlling Shareholder
“Jangho Group”	Jangho Co. and its subsidiaries, excluding the members of our Group

DEFINITIONS

“Jangho HK”	Jangho Curtain Wall Hongkong Limited (江河幕墙香港有限公司), a limited liability company incorporated in Hong Kong on 28 October 2009, a wholly-owned subsidiary of Jangho Co. and a Controlling Shareholder
“Jangho Macau”	Jangho Curtain Wall Macao Co., Ltd, a limited liability company incorporated in Macau on 14 September 2006 and was owned as to 99% and 1% by Jangho Co. and Jangho HK, respectively
“Kin Shing”	Kin Shing (Leung’s) General Contractors Limited (堅城(梁氏)建築有限公司), a limited liability company incorporated in Hong Kong on 21 July 1994 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	4 December 2015, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining information contained in this Prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around 29 December 2015
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operating in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on 1 December 2015 and to take effect prior to Listing, as amended from time to time
“Mr. Liu”	Mr. Liu Zaiwang (劉載望), the non-executive Director, a Controlling Shareholder and spouse of Ms. Fu

DEFINITIONS

“Ms. Fu”	Ms. Fu Haixia (富海霞), a Controlling Shareholder and spouse of Mr. Liu
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in “Structure of the Global Offering” in this Prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted to the International Underwriters under the International Placing Agreement, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which our Company may be required by the Sole Global Coordinator to allot and issue up to 75,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price
“PRC”, “China” or “Mainland China”	the People’s Republic of China which for the purpose of this Prospectus does not include Hong Kong, Macau and Taiwan
“PRC legal advisers”	Tian Yuan Law Firm, the PRC legal adviser to our Company
“PRC Government”	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Date”	the date, expected to be on or around 17 December 2015 but no later than 18 December 2015, on which the Offer Price is fixed for the purpose of the Global Offering
“Reach Glory”	REACH GLORY INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability on 15 June 2015, a wholly-owned subsidiary of Jangho HK and a Controlling Shareholder

DEFINITIONS

“Regulation S”	Regulation S under the Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in “History, Development and Reorganisation” in this Prospectus
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)
“Sanctioned Country”	Russia, being the country that is subject to the United States, EU and Australian Sanctions
“Sanctioned Person(s)”	certain persons and entities listed on the United States Department of Treasury’s Office of Foreign Assets Control and export controls administered by the United States Department of Commerce, Bureau of Industry and Security and the United States Department of State, Directorate of Defense Trade Controls or other lists of sanctioned persons and entities maintained by the United States, the EU or Australia with respect to the Sanctioned Country
“Sanctions Law Legal Advisers”	Husch Blackwell LLP, who have been instructed to advise in relation to the United States sanctions; Norton Rose Fulbright LLP, who have been instructed to advise in relation to the EU sanctions; and Norton Rose Fulbright Australia, who have been instructed to advise in relation to Australia sanctions, with respect to the Sanctioned Country
“Second Six-month Period”	the period of six months commencing from the expiry of the First Six-month Period expires
“Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	上海證券交易所 (the Shanghai Stock Exchange)
“Share(s)”	ordinary share(s) of our Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 1 December 2015, a summary of the principal terms and conditions of which are set forth in “Appendix IV — Statutory and General Information — D. Share Option Scheme” to this Prospectus
“SLDL”	Steve Leung Designers Limited (梁志天設計師有限公司), a limited liability company incorporated in Hong Kong on 25 June 1997 and an associate company indirectly owned as to approximately 20% by our Company
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Reach Glory
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Sundart Beijing”	北京承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Beijing) Limited), a limited liability company established in the PRC on 19 September 2003 and a former subsidiary of our Company
“Sundart Dalian”	大連承達創建裝飾工程有限公司 (Sundart Engineering & Contracting (Dalian) Limited), a limited liability company established in the PRC on 30 July 2012 and a former subsidiary of our Company
“Sundart Emirates”	Sundart Emirates Interior Contracting L.L.C, a limited liability company incorporated in Abu Dhabi on 18 May 2010 and a former subsidiary of our Company
“Sundart Engineering (Far East)”	Sundart Engineering (Far East) Limited (承達工程(遠東)有限公司), a limited liability company incorporated in Hong Kong on 27 December 2013 and an indirect wholly-owned subsidiary of our Company
“Sundart International”	Sundart International Supply Limited (承達國際貿易有限公司) (formerly known as Sundart Home Planner Limited (承達創意居有限公司) and Home Planner Limited (創意居有限公司)), a limited liability company incorporated in Hong Kong on 4 November 2002 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Sundart International (Macau)”	Sundart International Supply (Macau) Limited (承達國際供應(澳門)一人有限公司), a limited liability company incorporated in Macau on 30 September 2010 and an indirect wholly-owned subsidiary of our Company
“Sundart Investments”	Sundart Investments Limited (承達投資有限公司), a limited liability company incorporated in Hong Kong on 7 April 2005 and a direct wholly-owned subsidiary of our Company
“Sundart Living”	Sundart Living Limited (承達宜居有限公司) (formerly known as South Glory Investment Limited (南昇投資有限公司)), a limited liability company incorporated in Hong Kong on 11 August 1994 and an indirect wholly-owned subsidiary of our Company
“Sundart Macau”	Sundart Engineering Services (Macau) Limited (承達工程服務(澳門)有限公司), a limited liability company incorporated in Macau on 18 March 2005 and an indirect wholly-owned subsidiary of our Company
“Sundart Products”	Sundart Products Limited, a limited liability company incorporated in the BVI on 11 November 2008 and a direct wholly-owned subsidiary of our Company
“Sundart Project”	Sundart Project Management & Consultancy Limited (承達工程管理顧問有限公司), a limited liability company incorporated in Hong Kong on 5 July 2013 and an indirect wholly-owned subsidiary of our Company
“Sundart Timber”	Sundart Timber Products Company Limited (承達木材製品有限公司), a limited liability company incorporated in Hong Kong on 10 January 1995 and an indirect wholly-owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases, as published by the SFC, amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2014 and the eight months ended 31 August 2015
“Trademark License Agreement”	a trademark license agreement dated 4 December 2015 entered into among our Company, Sundart Beijing and Sundart Dalian as referred to in “Connected Transaction — Exempt continuing connected Transaction” in this Prospectus

DEFINITIONS

“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United States” or “U.S.”	the United States of America
“United States, EU and Australian Sanctions”	any laws, regulations, sanctions, embargoes, freezing provisions, prohibitions or other restrictions relating to trading, doing business, investment, exporting, financing or making assets available (or other activities similar to or connected with any of the foregoing) enacted, enforced or imposed by (i) the EU; (ii) the United States government; (iii) Australia with respect to the Sanctioned Country
“WBDB”	Works Branch of the Development Bureau (發展局工務科)
“White Application Form(s)”	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“White Form eIPO”	the application for the Hong Kong Offer Shares to be issued in the own name of the applicant by submitting application online at the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Yellow Application Form(s)”	the application form(s) for the use by the public who require(s) such Offer Shares to be deposited into CCASS
“HK\$”, “HKD” or “HK dollars” or “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“£”	pound sterling, the lawful currency of the United Kingdom
“sq.ft.”	square feet
“sq.m.” or “m ² ”	square meters

DEFINITIONS

“%” per cent.

The English names of the PRC entities mentioned in this Prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

Unless otherwise expressly stated or the context otherwise requires, all data in this Prospectus is as at the date of this Prospectus.

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

GLOSSARY

This glossary contains explanations of certain terms used in this Prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“CAGR”	compound annual growth rate
“Contractor List”	the List of Approved Contractors for Public Works (認可公共工程承建商名冊) comprising contractors approved for carrying out public works in one or more of the five major categories of building and civil engineering works (i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”) maintained by WBDB
“GDP”	gross domestic product
“GRG”	Glass fiber-reinforced-gypsum
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14000”	a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts. ISO 14001 is a member of that family and ISO 14001:2015 is the current version of ISO 14001
“ISO 9000”	a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family and ISO 9001:2015 is the current version of ISO 9001
“O2O”	Online to Offline or Offline to Online, a business model that directs online customers to the offline physical stores for consumption
“PVC”	polyvinyl chloride
“QS”	quantity surveying
“sizeable fitting-out project(s)”	fitting-out project(s) with the contract sum of not less than HK\$50 million

GLOSSARY

“UL”or “Underwriters Laboratories”

Underwriters Laboratories Inc., an independent product safety certification organisation whose product certification programmes are accredited by the U.S. Occupational Safety and Health Administration, the American National Standards Institute and the Standards Council of Canada

“UL Mark”

the label bearing the words “UL” and being stuck on the product for the purpose of identifying the product as being certified by UL. UL maintains a database of authorised label suppliers and only the suppliers shown in the database are authorised to print labels with the UL Mark

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our capital needs;
- future developments, trends and conditions of the industry and markets in which we conduct business;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our future operating and other costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical fact.

This Prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “estimate”, “may”, “ought to”, “should” or “will”. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include those identified in the “Risk Factors” section in this Prospectus. Actual results may differ materially from

FORWARD-LOOKING STATEMENTS

information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the “Risk Factors” section and the following:

- our plans and objectives for future operations and expansion;
- our relationship with, and other conditions affecting, our customers and suppliers;
- competition;
- the effects of changes in currency exchange rates;
- environmental laws and regulations;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions, including the government’s specific policies with fitting-out business and alteration and addition and construction business in Hong Kong and Macau;
- economic growth, inflation, foreign exchanges and the availability of credit;
- our liquidity and financial condition; and
- the other risk factors discussed in this Prospectus as well as other factors beyond our control.

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

RISK FACTORS

You should carefully consider all of the information in this Prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our customers pay us by way of progress payment and require retention money from us, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is released to us on time and in full, after the expiry of the defect liability period.

We normally receive progress payment from our customers on a monthly basis, with reference to the value of works we have done. Generally, the authorised persons, usually architects or consulting quantity surveyors employed by our customers, would issue a progress certificate certifying the work progress in the preceding month upon our payment request. See “Business — Fitting-Out Business — Operating Procedures — Project Administration — Progress payment and retention money”. In addition, we grant our customers credit terms typically ranging from 30 to 45 days after the issuance of the payment request sheet or payment certificate, depending on the terms and conditions of the contract. Our trade receivables were HK\$158.0 million, HK\$388.4 million, HK\$411.0 million and HK\$211.7 million as at 31 December 2012, 2013 and 2014 and 31 August 2015, respectively. During the Track Record Period, we wrote off trade receivable of HK\$9.1 million due from Yantai Shentong Import Export Company Limited arising from the dispute between us and trade receivable of HK\$1.1 million due from a customer of Sundart Emirates as a result of the poor financial condition of such customer. See “Financial Information — Period to Period Comparison of Results of Operations — the Eight Months ended 31 August 2015 Compared to the Eight Months ended 31 August 2014 — Continuing Operations — Other income, other gains and losses”.

Moreover, our customers normally withhold up to 5% of the total contract sum as retention money, of which half will generally be released after the issue of the certificate of practical completion and the remaining portion will be released after the defect liability period ranging from one to two years. As at 31 December 2012, 2013 and 2014 and 31 August 2015, retention money retained by our customers amounted to approximately HK\$169.8 million, HK\$209.7 million, HK\$327.8 million and HK\$326.9 million, respectively. There can be no assurance that the financial position of our customers will remain healthy in the future or our customer will pay us the progress payment or the retention money on time or in full. From time to time, we may also be engaged in prolonged negotiation with our customers with respect to the settlement of payment applications, in particular, the settlement of the final payment, the failure of which may also affect our collection. Any failure by our customers to make any payment on time or in full may have a material adverse effect on our liquidity position. Any failure by our customers to eventually repay the amount to us may have a material adverse effect on our operating results.

Our business is project-based and our revenue mix and profit margin may fluctuate.

Our business is project-based. Our projects covered a diversity of properties, which included hotels, serviced apartments, residential properties, public buildings, commercial offices and retail shopping malls during the Track Record Period. The needs for development of these properties may be affected by different external factors beyond our control, such as changes in our customers’ preferences.

RISK FACTORS

Therefore, our revenue contributed by different types of properties may vary from time to time. In addition, we recorded different level of profit margin for our fitting-out works for different types of properties. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our overall gross profit margin of our fitting-out works from continuing operations was approximately 12.9%, 15.7%, 13.7% and 15.8%, respectively. During the same corresponding periods, our gross profit margin of our fitting-out works for hotel and serviced apartment from continuing operations was approximately 6.9%, 12.6%, 11.7% and 17.4%, respectively, and our gross profit margin of our fitting-out works for residential property from continuing operations was approximately 16.2%, 18.4%, 18.0% and 11.4%, respectively.

Further, our fee collection and profit margin also depends on other factors, such as, the capital expenditure plan of the customers, the terms of the work orders and contracts, the contract period, the efficiency of implementation of the work orders or contract, our ability to control the project cost and progress as expected and the general market conditions. As a result, the income flow of our business may not be regular due to such factors which are beyond our control. There is no assurance that we can maintain the profitability of a project at any particular level. As such, our revenue mix and profit margin may fluctuate and our historical performance may not be indicative of our future performance.

We estimate time and costs to determine the tender price and our failure to make accurate estimate may lead to cost overruns or even losses in our projects.

The majority of our fitting-out contracts are awarded through competitive tender process and on a fixed sum basis. We need to estimate the time and costs required for the project to determine the tender price. The actual time and costs for completing a fitting-out project may be adversely affected by various factors, including typhoon and other acts of god, shortage and cost escalation of materials and labour, additional variations to the fitting-out plans requested by our customers or due to technical needs, disputes with subcontractors, accidents and other unforeseen problems or circumstances, which may be beyond our control. Any of these factors can lead to delays in completion of works or costs overruns or even unilateral termination of projects by our customers. There is no assurance that the actual time and costs would not exceed our estimate. In addition, any failure to complete a project in accordance with the specification and quality standard on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipation on the project concerned, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our contracts are not recurring in nature and our future business depends on our continuing success on project tender.

The majority of our revenue is derived from contracts awarded through competitive tender process and is not recurring in nature. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our tender success rate was 30.6%, 15.4%, 35.3% and 11.4%, respectively. We are required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. There is no right of first refusal upon expiry of existing contracts and therefore, there is a risk that we may not succeed in tender for the same customer's services upon the expiry of our contracts on hand. Even if we are able to meet the pre-requisite requirements for tender specific projects, there is no assurance that (i) we would be invited to or would be made aware of the tender process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would ultimately be selected by customers. In the competitive tender

RISK FACTORS

process, we may have to lower our contract prices or offer more favourable terms to our customers to enhance our competitiveness. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, revenue from our top five projects in terms of revenue recognised represented 35.0%, 38.7%, 39.9% and 38.8% of our revenue from continuing operations for the respective period. If we are unable to maintain our competitiveness or retain our existing customers or obtain new contracts continuously, our business, financial condition and results of operations may be materially and adversely affected.

In addition, most of our customers have adopted their respective evaluation system to select the right service provider, which among other things, evaluates the standards of management, industrial expertise, financial capability, reputation and regulatory compliance of the candidate. Such evaluation standards may change from time to time. There is no assurance that we will be selected in accordance with our customers' evaluation standards, which may adversely affect our reputation, business, financial condition and results of operations.

We depend on our subcontractors to complete a substantial part of the works of our projects and to implement safety measures or procedures during our courses of execution of works.

We have in the past relied on and expect to continue to rely on our subcontractors to complete a substantial part of the works of our projects. We have established a system with respect to the selection and management of our subcontractors, including maintaining a regularly updated list of qualified subcontractors and inspecting the work quality and progress by our project manager. Nevertheless, we may not be able to effectively monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, qualified subcontractors may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified and competent subcontractors, our ability and punctuality to complete projects could be impaired. If the amounts that we are required to pay for subcontractors exceed what we have estimated, especially in fixed-price contracts with our customers, we may suffer losses on these contracts. If a subcontractor fails to provide services as required under a contract for any reason, we may be required to source these services from third parties which may delay our project or at a higher price than anticipated, which could impact contract profitability. If a subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

In addition, we require our subcontractors to follow and adopt all the safety, construction and building measures and procedures as stipulated in our safety management plans. Nonetheless, if our subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be subject to claims for losses and damages if such violations cause any personal injuries/death, damage to properties fines or other remedial measures. Although we have closely supervised and monitored our subcontractors in implementing all required safety measures and procedures during execution of works, we cannot assure that there will not be any violations, whether substantial or minor in nature, of any laws, rules or regulations. In the event there is any such violation occurred in the sites for which we are responsible, our reputation, operations and hence our financial position will be adversely affected. In addition, relevant safety measures and procedures may change in the future. If there is any change to such safety measures and procedures applicable to us or our subcontractors, we may incur additional cost in complying with them, which in turn may adversely affect our profitability.

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Our failure to meet time requirements in our contracts may lead to liquidated damages.

Almost all of our contracts are subject to specific completion schedule requirements with liquidated damages penalty if we fail to meet the schedule. Liquidated damages are typically levied at an agreed rate of the contract sum for each day of delay, in which the delay is caused by us. The actual time to complete a fitting-out or alteration and addition and construction project may be adversely affected by various factors, including typhoon and other acts of god, shortage and cost escalation of materials and labour, additional variations to the fitting-out or alteration and addition and construction plans requested by our customers or due to technical needs, disputes with subcontractors, accidents and other unforeseen problems or circumstances, which may be beyond our control. Although our customers generally negotiate with us and grant us additional working time for variations to the fitting-out or alteration and addition and construction plans requested by them, we cannot assure you that the time extension will be sufficient for the actual work to be carried out. The liquidated damages paid due to our failure to complete fitting-out works or alteration and addition and construction works on schedule (net of refund upon our customers' confirmation that such delay was caused by the late instruction of the property owner) involving eight projects undertaken by our Group during the Track Record Period and up to the Latest Practicable Date amounted to approximately HK\$13.2 million, among which, (i) we paid approximately HK\$12.3 million, HK\$9.5 million and HK\$0.8 million prior to the Track Record Period, for the year ended 31 December 2014 and the eight months ended 31 August 2015, respectively; and (ii) approximately HK\$5.3 million and HK\$4.1 million were refunded to us for the years ended 31 December 2012 and 2013 respectively. There is no assurance that we will not be charged with any liquidated damages in the future. Any failure to meet the time requirements in our contracts could lead to significant liquidated damages payable by us, which could reduce or eliminate our profit on such contract and adversely affect our liquidity and cash flows.

We rely on key management personnel.

Our continued success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. Our executive Directors, Mr. Ng Tak Kwan, Mr. Leung Kai Ming and Mr. Ng Chi Hang have been with us for over ten years and have over 20 years' working experience working in the fitting-out industry in Hong Kong and Macau. Our continued success is therefore dependent, to a large extent, on our ability to retain the services of our executive Directors and management team. Our management personnel and skilled employees may leave us or we may terminate their employment at any time. We cannot assure you that we will be able to retain our management personnel and skilled employees or find suitable or comparable replacements on a timely basis or at all. Moreover, if any of our management personnel or skilled employees leaves us or joins a competitor, we may lose our customers, suppliers and know-how. The loss of services of any of our management personnel and skilled employees could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to disputes, claims or litigation.

As a fitting-out contractor, we are principally responsible for the fitting-out projects and may be subject to claims in respect of various matters from our customers, suppliers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late

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or insufficient payment and claims in respect of personal injuries and labour compensation in relation to works. In addition, we may, from time to time, face prosecutions relating to labour safety offences arising from our or our subcontractors' failure to comply with relevant work safety legislations (see "Business — Regulatory Compliance and Legal Proceedings — Legal proceedings and claims") or other health or environmental offences. Any of such claims may cause us to incur material costs or losses hence materially and adversely affect our business, financial condition and results of operations. Further, if Kin Shing is convicted for serious offences or a series of convictions within any prescribed period (where applicable), the renewal and/or maintenance of qualifications/licences it currently holds and in turn our alteration and addition and construction business may be adversely affected.

In addition, although we have maintained insurance policies and retained retention moneys from our subcontractors to cover some of those claims, the insurance coverage or money retained may not be sufficient for the claim. The outcome of a claim is subject to relevant parties' negotiation, decision of the court or relevant arbitration organisation and it can be unfavourable to us. Should such claims fall outside of the scope and/or limit of our insurance coverage or retention moneys retained from our subcontractors, our financial position and results of operation may be adversely affected.

We are subject to other construction risks such as fire, suspension of water and electricity supplies.

We usually commence our fitting-out works after the main contractor has substantially completed the construction of the building. Therefore, when we commence our fitting-out works, there may be other subcontractors still carrying out their works in the same construction site. We believe that although fitting-out works are relatively safe when compared to other trades, we are still subject to some construction risks beyond our control, such as fire, suspension of water and electricity supplies, the occurrence of which may not only materially and adversely affect our work progress but also pose risks to our equipment kept at the construction site.

We rely on a limited number of major customers.

We have in the past derived a significant portion of our revenue from a limited number of customers. During the Track Record Period, revenue derived from our five largest customers amounted to approximately HK\$715.6 million, HK\$819.7 million, HK\$1,578.9 million and HK\$1,804.2 million, respectively, and accounted for approximately 40.8%, 50.2%, 67.6% and 66.9%, respectively, of our total revenue from continuing operations. We expect that we will continue to rely on revenue derived from such customers. If we fail to retain such major customers, we may not be able to obtain contracts from similar customers in a timely manner, which may materially and adversely affect our business, financial condition and results of operations. In addition, we cannot assure you that we can further diversify our customer base, the failure of which may adversely affect our business, financial conditions and results of operations.

Our cash flows may fluctuate.

As far as a single project is concerned, we normally start recording our net cash outflows when we are required to pay the setting up expenditures in the early stage of a project. However, the progress payments will not be paid to us until our works commence and are certified by our customers. See "Business — Fitting-out Business — Operating Procedures — Project Administration — Progress payment and retention money". Therefore, our cash flows for a particular project will turn into

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accumulative net inflows gradually as the works progress. We cannot assure you that we can maintain sufficient control over our cash flow to avoid excessive cash flow request brought by significant projects initialled at a particular period of time. If we fail to manage the fluctuation of our cash flow, our business, financial conditions and results of operations could be materially and adversely affected.

Our profit may be substantially reduced if there are changes in our subcontracting and material costs after tender.

Our subcontracting costs and material costs for continuing operations represent a significant portion of our cost of sales for continuing operations. During the Track Record Period, our subcontracting costs and material costs for continuing operations amounted to approximately HK\$1,234.9 million, HK\$1,160.3 million, HK\$1,708.8 million and HK\$1,965.7 million, respectively, and accounted for approximately 80.5%, 83.5%, 83.4% and 84.6%, respectively, of our cost of sales for continuing operations. We prepare our tender and quotation based on our estimated project costs (which mainly include subcontracting costs and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. However, the actual subcontracting costs and material costs will not be finalised until we have entered into formal agreements with our subcontractors and suppliers upon the award of a fitting-out contract. We cannot assure you that there will not be any fluctuations in the subcontracting and material costs during such period in the future, the occurrence of which may materially and adversely affect our business, financial conditions and results of operations.

Fitting-out works are highly labour intensive and we rely on a stable supply of labour to carry out our projects.

Fitting-out works are labour intensive works. For any given project, we need to involve a large number of workers from different trade with different skills. We cannot assure you that we will be able to recruit sufficient labour in the future. See “— There is a material shortage of skilled workers in the building industry in Hong Kong. If we are unable to retain or replace such workers, it may affect our business and there is no assurance that our labour costs will not increase”. In respect of Macau, given that it only has a total population of less than one million and there have been a large number of construction projects in recent years, the labour market in Macau has been tight despite of the continuous increase in the number of workers in this industry.

The labour costs have kept increasing in recent years. According to the Ipsos Report, the estimated average wage of workers in the fitting-out industry in Hong Kong increased from HK\$816.8 per day per worker in 2010 to HK\$1,022.3 per day per worker in 2014, representing a CAGR of 5.8% and the estimated average wage of workers in fitting-out industry in Macau increased from MOP588.6 per day per worker in 2010 to MOP683.6 per day per worker in 2014, representing a CAGR of 3.8%. We cannot assure you that the labour supply and average labour costs will remain stable in the future. If either we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects, or there is a significant increase in the labour costs, we may not be able to complete our projects on schedule or within budget, as such, our business, financial conditions and results of operations may be adversely affected.

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We engage directly or indirectly labour of different trades who may launch industrial action or strikes to have demand for wages and shorter working hours.

Construction works usually split into various different trades. Each trade requires highly skilled labour of its own and may not be substituted from labour of other trades. There is no assurance that trade unions will not launch any industrial strikes or actions to demand for higher wages and/or shorter working hours in the future. We may be required to pay higher wages or shorten working hours if any labour union launches industrial actions or even strikes against us. Under such circumstance, we may either incur higher labour costs or expose us to the risk to damages claimed by our customers for the delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

Our historical revenue and profit margin may not be indicative of our financial performance in the future.

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our revenue from continuing operations amounted to approximately HK\$1,753.0 million, HK\$1,632.2 million, HK\$2,336.7 million and HK\$2,701.2 million, respectively, representing an annualised CAGR of 32.2%, and our net profit for continuing operations amounted to approximately HK\$107.2 million, HK\$126.5 million, HK\$175.4 million and HK\$263.0 million, respectively, representing an annualised CAGR of 54.4%. However, such trend of our historical financial information is a mere analysis of our past performance only as our business is on project basis. See “— Our business is project-based and our revenue mix and profit margin may fluctuate”. Our future performance will depend on, among other things, our ability to secure new contracts and control on our costs and will be subject to the risks set out in this section. Therefore, our historical performance does not have any positive implication or may not necessarily reflect our financial performance in the future. In addition, our profit margin may fluctuate from period to period due to factors such as the accuracy of our estimate of costs when determining the tender price, the complexity and size of the project, subcontracting changes and our pricing strategy. There is no assurance that our profit margin will not fluctuate in the future.

We may not be successful in launching our O2O e-commerce business in the PRC under new business model, which may limit our growth prospects.

We are conducting preliminary studies as to launching our O2O e-commerce business in the PRC. See “Business — Business Strategies — Further diversify our fitting-out business and expand our presence to new business segment”. We have accumulated relevant experience in fitting out design, project management, material procurement and customised furnitures. However, we have not operated any O2O e-commerce business in the PRC before. In addition, we will need to hire senior management having experience in operating O2O e-commerce business in the PRC and establish relationships with local individual customers if we eventually decided to implement such plan. As such, we face various risks relating to the commencement of these new business operations, including our potential failure to:

- attract, train, motivate and retain skilled employees for our O2O e-commerce business in the PRC;
- operate O2O e-commerce business cost-effectively and maintain adequate control of our expenses in relation to our O2O e-commerce business in the PRC;

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- achieve acceptable working standards for our O2O e-commerce business in the PRC;
- increase market and brand awareness for our O2O e-commerce business in the PRC;
- maintain and develop relationships with our O2O e-commerce future cooperative partners;
- obtain and/or renew necessary license and/or certificate for our O2O e-commerce business in the PRC;

If we are unsuccessful in addressing any of these risks, our business, financial position and results of operations may be materially and adversely affected.

Our interests may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, the best interests of our public Shareholders.

Our interests may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, our public Shareholders' best interests. Upon completion of the Global Offering, the Controlling Shareholders will own, in aggregate, 75% of our enlarged issued Shares, assuming that the Over-allotment Option is not exercised. As such, the Controlling Shareholders have and will continue to have the ability to exercise a controlling influence over our business, including matters relating to our management and policies and certain matters requiring the approval of our Shareholders, including election of Directors, approval of significant corporate transactions and the timing and distribution of dividends.

They will also have veto power with respect to any Shareholder action or approval requiring a majority vote. They may take actions that you may not agree with or that are not in the best interest of our public Shareholders. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, discouraging bids for our Shares at a premium over the market price, or adversely affecting the market price of our Shares.

Changes in the rules and regulations governing the fitting-out industry and the licensing regime may adversely affect our operations.

Under the relevant laws of Hong Kong, there are no particular licensing or registration requirements for fitting-out subcontractors to carry out fitting-out works in both public and private sectors in Hong Kong, except for tendering for turn-key interior design and fitting-out works in public sector in Hong Kong. There are no particular requirements on licensing or registration for fitting-out subcontractors to carry out works in both public and private sectors in Macau save for those stated in "Regulatory Overview". In the event that there are any material changes in the existing regulatory regime that governs the fitting-out industry, we may incur additional costs in complying with the new requirements or cannot meet such requirements at all, which may result in regulatory non-compliances and in turn materially and adversely affect our business and operations.

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We are required to maintain certain registrations with governmental authority for our alteration and addition and construction business and any suspension of or failure to maintain or renew any of them could materially and adversely affect our business.

The alteration and addition and construction industry is a highly regulated industry and our Group is required to maintain certain registrations under the laws of Hong Kong in order to operate such business. See “Regulatory Overview”. Our subsidiary, Kin Shing is a registered specialist contractor in the sub-registers of foundation works and site formation works and a registered general building contractor with the Buildings Department and is also on the list of approved contractors for public works of the Development Bureau in the category of buildings (Group C on probation). In order to renew and maintain these registrations, our Group is required to comply with applicable criteria set by the relevant governmental authorities such as the Buildings Department and the Development Bureau. These criteria may include the maintenance of certain financial criteria including our working capital level, the adequacy of our management structure and the appropriate experience and qualification of our personnel. These registrations may be subject to a fixed validity period upon expiry of which, we will apply for renewal of such registration with the relevant governmental authorities. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice. We cannot assure that all these required registrations can be maintained or renewed in a timely manner or at all. If we fail to maintain or renew such relevant registrations, or if our registration is suspended, or if there are any changes in the existing policies by the governmental authorities in relation to regulation concerning the construction industry, it may cause an interruption to our operations, which would have a material adverse effect on our business and financial condition and results of operations.

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

Our Company declared dividends of HK\$56.0 million, HK\$20.0 million, nil and HK\$450.0 million for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, respectively. See “Summary — Dividend Policy” and “Financial Information — Dividend Policy”. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. See “Financial Information — Dividend Policy”. Due to the above reasons, we cannot guarantee if and when dividends will be paid in the future.

We face risks associated with the defect liability.

Under the usual terms of our contracts, our customers normally require a defect liability period during which we are responsible for rectifying all defective works, if any. The defect liability period, if any, is normally one to two years after the practical completion date of the contract works or such other period as specified in the contract. Although our subcontractors will take the responsibility to fix any defect raised by our customer and/or any other interested parties (in accordance with similar terms in contracts with our subcontractors), we cannot assure you that our subcontractors will be able to satisfy our customers’ request. In the event that there is any significant claims raised by our customers or other interested parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

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Changes in the social, political and economic landscape of Hong Kong and Macau may materially affect our business.

Substantially all of our operations are based in Hong Kong and Macau. Demand for our services is principally connected to the level of construction activities in Hong Kong and Macau and we may therefore be affected by the cyclical nature of the construction sector in these locations. Any major changes to the social, political and economic landscape of Hong Kong and Macau will have a significant impact on our business and future growth, such as in the event of a dramatic change to the autonomy of Hong Kong and Macau under the principle of “one country, two systems”. If there were any material adverse changes in the social, political and economic conditions in the region including: (i) change in local government policies, rules or regulations; (ii) riots, natural disasters and other acts of god; (iii) breakdown in the transportation system which may disrupt our material supplies; or (iv) a sudden downturn in the economy or consumer demands, our operations, financial results and profitability may be adversely affected.

The global economy may be adversely affected by a recurrence of severe acute respiratory syndrome, an outbreak of other epidemics, natural disaster, acts of war, terrorist attack or other events, thereby affecting our prospects.

Some countries including South Korea, Mexico, United States and Japan are susceptible to epidemics such as Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), swine flu (H1N1) and avian flu (H5N1), which may cause severe damage to their respective local economies and the global economy as a whole. If such epidemics break out in Hong Kong or Macau, or in the cities where we have or will have operations, it may result in material disruptions to our business operations, which will in turn adversely affect our financial condition. In addition, natural disasters (such as typhoons, flooding and earthquakes), acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations.

The global economy condition could have a material adverse effect on our business, financial condition and results of operations.

In the past, the significant volatility in the capital markets caused by the financial crisis in 2008 and 2009 and the European financial downturn in 2012 had adversely affected demand for our fitting-out works, in particular our fitting-out projects in Macau, as the level of such services in the market may adversely impact cash flow generated from our operations. In addition, the availability of credit to entities, such as ourselves, is influenced by levels of investor confidence in the markets we operated in as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If another economic downturn occurs or there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

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We could be adversely affected as a result of our operations in Russia that is subject to evolving economic sanctions of the United States government, the EU, Australia and other relevant states.

As advised by our Sanctions Law Legal Advisers, the United States, European Union and Australia have imposed the following country-specific sanctions against Russia:

- (1) United States: list-based sanctions and certain “sectoral” sanctions focused on the Russian financial services, energy and defense sectors;
- (2) European Union: prohibitions (by way of travel bans and asset freezes) against certain target individuals and entities, restrictions on access to capital markets for specified financial, energy and defense entities, restrictions on the export of dual-use goods and technologies, restrictions on dealing with technologies listed on the Common Military List (i.e. a list that defines equipment covered by EU common rules governing the control of EU exports of military technology and equipment) and restrictions on dealing with goods and services related to the oil industry and specific types of oil projects in Russia; and
- (3) Australia: sanctions which target specified entities, persons and certain types of commercial activity (such as financial services, arms or related materiel, goods and services of various kinds with a potential connection with oil and mineral resource exploitation) and ancillary activity.

During the Track Record Period, we (i) carried out fitting-out works as a sub-contractor for two hotel projects in the Sanctioned Country; and (ii) sold to Yantai Shentong Import Export Company Limited, being our customer in the PRC, certain timber products which, to the best knowledge of our Directors, were ultimately supplied to the said hotels in the Sanctioned Country (“**Russia-related Business**”), and our Russia-related Business was discontinued by the end of 2013. Negotiations with respect to continuing the fitting-out works aspect of the Russia-related Business continued in 2014. These negotiations subsequently failed. From 1 January 2014 up to the Latest Practicable Date, we have not carried out Russia-related Business in nor have we derived any revenue from the Sanctioned Country or, to the best knowledge and belief of our Directors, with any Sanctioned Person. For the years ended 31 December 2012 and 2013, the revenue from our Russia-related Business accounted for approximately 10.1% and 7.1%, respectively, of our revenue from continuing operations. For the year ended 31 December 2014, we reversed the accrued but uncollected revenue of HK\$44.2 million thus recorded a gross loss of HK\$45.2 million. For details, please see “Business — Business activities in Sanctioned Country”.

We cannot predict the interpretation or implementation of sanction laws or government policy by the United States, the EU, Australia, or other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Country or with Sanctioned Persons. Although we do not have any present intention to undertake any future business in the Sanctioned Country or with any Sanctioned Person, we can provide no assurance that our future business will be free of risk under the United States, EU and Australian Sanctions, or that we will conform our business to the expectations and requirements of the United States authorities or the authorities of any other government that does not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. If the United States, the EU, Australia, or any other jurisdictions were to determine that any of our business activities constitutes any violation of the sanctions imposed by them, our business, financial condition and results of operation as well as reputation could be materially and adversely affected.

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Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties.

During the Track Record Period, there has been no fraud or other misconduct committed by our employees or other third parties, however, there is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business operations, results and financial condition.

RISKS RELATING TO OUR INDUSTRY

Our performance is dependent on market conditions and trends in the fitting-out industry in Hong Kong and Macau which may change adversely.

During the Track Record Period, the majority of our revenue was derived in Hong Kong and Macau. The future growth and level of profitability of the fitting-out industry in Hong Kong and Macau depends primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the spending patterns of the government on the construction industry, the investment of property developers and hotel operators and the general conditions and prospects of local economy. These factors may affect the availability of fitting-out projects from public sector, private sector or institutional bodies.

Our Directors believe that both the governments of Hong Kong and Macau are committed to maintaining a robust investment in new infrastructure and improving existing facilities, and a number of large scale infrastructure projects will be implemented. However, those projects may be susceptible to delays and availability of funds of the government. There are also many other factors affecting the fitting-out industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in private sector, and the implementation of new infrastructure projects by the government may not be able to help in the recovery of the fitting-out industry. Should there be a recurrence of recession in Hong Kong or Macau, deflation or any changes in the local currency policy, as a result of which the fitting-out industry in Hong Kong or Macau start to decline again, and we fail to open up new markets outside Hong Kong and Macau, our operations and profits could be adversely affected.

The entrance barrier to fitting-out industry is low and we may face fiercer competition if there are new comers.

The fitting-out industry in Hong Kong and Macau, is highly competitive. Market participants have to, not only come up with new creative ideas and skills, but also cut their prices and lower their profit to obtain tenders and projects. We have a large number of competitors including local and international companies which offer similar services as ours in Hong Kong and Macau. See "Business — Competition". Some of our competitors may have more manpower, resources, licenses and qualifications, longer operating histories and stronger relationship with customers and brand names. Due to the large number of competitors, we may face significant downward pricing pressure and thereby reducing our profit margins. We cannot assure you that our profit margin will not decline as a result of the price

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pressure. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

In addition, given that no industry specific licences or qualifications are required for carrying out fitting-out business in Hong Kong or Macau save for those stated in “Regulatory Overview”, we may face even fiercer competition in the future if there are new comers who are able to offer services of higher quality at lower prices. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

There is a material shortage of skilled workers in the building industry in Hong Kong. If we are unable to retain or replace such workers, it may affect our business and there is no assurance that our labour costs will not increase.

According to the Ipsos Report, one of the major threats in the building industry in Hong Kong is the material shortage of workers and skilled workers, which is attributable to factors such as the decreasing number of young people entering into this industry, the increasing number of retirements in this industry as well as the increasing demand for construction works in Hong Kong. Even without such shortage, we generally compete with similar businesses for such workers. Given that we are in a labour intensive industry, we rely on our workers for our business operations and if we are unable to retain or replace such workers, we may be forced to increase our reliance on subcontractors or otherwise be unable to maintain the quality of our services. We cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our business, nor can we guarantee that our staff costs will not increase to attract or maintain workers. If this occurs, it could have a material and adverse effect on our results of operations and inhibit our future growth and expansion plans.

Our performance is dependent on market conditions and trends in the alteration and addition industry and in the overall economy which may change adversely.

The majority of our operations and management are currently located in Hong Kong and Macau. The future growth and level of profitability of the alteration and addition industry in Hong Kong and Macau are likely to depend primarily upon the continued availability of major alteration and addition projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong and Macau governments’ spending patterns on the alteration and addition industry in Hong Kong and Macau and the general conditions and prospects of the economies of Hong Kong and Macau. These factors may affect the availability of alteration and addition projects from public sector, private sector or institutional bodies. Apart from the public spending of the Hong Kong and Macau governments, there are numerous factors affecting the alteration and addition industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in private sector. Should there be a recurrence of recession in Hong Kong and Macau, deflation or any changes in Hong Kong or Macau’s currency policy, or should the demand for alteration and addition works in Hong Kong and Macau deteriorate, our operations and profits could be adversely affected.

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RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition.

Our performance and financial condition is heavily dependent on the state of the economy in Hong Kong. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, approximately 75.2%, 84.9%, 46.7% and 38.7% of our revenue from continuing operations was derived in Hong Kong. In the event that there is a downturn in the economy of Hong Kong, our financial position and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition.

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

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations.

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, substantial part of our revenue is generated in the currency of Hong Kong dollars and part of our expenses and/or certain fitting-out materials imported from other countries is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

RISKS RELATING TO MACAU

The economy of Macau may adversely affect our performance and financial condition.

Our performance and financial condition is dependent on the state of the economy in Macau. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, approximately 13.3%, 7.4%, 53.4% and 61.1% of our revenue from continuing operations was generated from our projects in Macau. The economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including policies and measures adopted by the PRC and Macau governments. In recent years, the gaming industry experienced slowdown primarily due to the anti-corruption measures adopted by the PRC Government. As a result, the demand for fitting-out works for hotels, serviced apartments, junkets and casinos had been adversely affected. We experienced

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fitting-out business slowdown in Macau in 2012 and 2013. The revenue of fitting-out industry in Macau increased from MOP2,340.0 million in 2010 to MOP8,030.2 million in 2014, probably marked the end of the cycle for high growth in the fitting-out industry and high construction activity in new hotel, serviced apartment and casino in Macau in the recent years and the period of lower construction activity in Macau is expected to follow. Macau's gaming industry has been experiencing a downturn again recently, as evidenced by the decrease of approximately 35.1% in the year-on-year tax revenue from the industry in the third quarter of 2015. As a result, the revenue of Macau's fitting-out industry is expected to decrease from MOP6,202.3 million in 2015 to MOP5,030.8 million in 2016 reaching another cyclic trough according to Ipsos Report. In the event that the downturn in the economy of Macau continues or takes a turn for the worse, our financial position and results of operations may be materially and adversely affected.

Our business could be affected by the limitations of the Pataca exchange markets.

Part of our revenue from Macau is denominated in Patacas, the lawful currency of Macau. Although it is currently permitted, we cannot assure you that the Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, it is because the currency market for Patacas is relatively small and undeveloped, our ability to convert large amounts of Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, we may experience difficulty in converting Patacas into Hong Kong dollars.

RISKS RELATING TO THE PRC

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, approximately 6.6%, 4.0%, 1.0% and nil of our revenue from continuing operations was generated from the PRC. In addition, we may operate business in the PRC if suitable opportunity arises. We expect our business and financial condition and prospects may also be subject to risks of economic, political and legal developments in the PRC.

Our operations in the PRC may be subject to the uncertainties of the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike common law system, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and such legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. These laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us. As there may be changes in the PRC legal system in the future, we may not be able to adapt our operations to the changes in a timely manner, which in turn may adversely affect our operations and financial condition.

The economic, political and social conditions of the PRC, as well as the policies of the PRC Government, could adversely affect the financial markets in the PRC and our business.

The PRC economy differs from the economies of most developed countries in many respects, including the amount of PRC Government's involvement, level of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources.

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Some of these measures may have a negative effect on us. For example, our business and financial condition may be adversely affected by the PRC Government's control over property investments or use of mortgage financing and by changes in tax regulations that are applicable to us. Any slowdown in growth of the PRC economy could have a negative effect on our business. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC Government has implemented measures since the late 1970s emphasising the use of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises. Yet currently a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC Government has implemented a number of measures designed to prevent the economy from overheating. In 2006, the PRC Government announced further cooling measures with respect to the PRC real estate industry designed to regulate demand and to discourage developers or local authorities from hoarding land and driving up land prices and to regulate the access of foreign investment to the real estate market and strengthening the management of real estate purchases by foreign invested enterprises. We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

Prior to the Global Offering, no public market for the Shares existed. We have made an application to the Stock Exchange for the Listing. There is no assurance that a listing on the Stock Exchange will result in the development of an active and liquid public trading market for the Shares after the Global Offering or, if it does develop, that it will be sustained following the Listing or that the market price of the Shares will not be subject to volatility over and above usual market movements. In addition, we cannot assure you that the Listing will result in the development of an active and liquid public trading market for the Shares. Factors such as the following may affect the volume and price at which the Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of property transactions by us or our competitors;
- reduction or restriction of financing for the property industry;
- news regarding recruitment or loss of key personnel by us or our competitors;

RISK FACTORS

- announcements of competitive developments, mergers and acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by our Company, the Controlling Shareholders or other Shareholders.

In addition, securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of the Shares.

The availability of Shares for sale in the future could reduce the market price of our Shares.

In the future, we may issue additional securities to raise capital. We may also acquire interests in other companies by using a combination of cash and our Shares or just our Shares. We may also issue securities convertible into our Shares. Any of these events may dilute your ownership interest in our Company and have an adverse effect on the price of our Shares. In addition, sales of a substantial amount of our Shares in the public market, or the perception that these sales may occur, could reduce the market price of our shares. This could also impair our ability to raise additional capital through the sale of our securities.

Due to a gap of up to five business days between pricing and trading of our Shares on the Stock Exchange, the initial trading price of our Shares may be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date by negotiations between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), however the Shares will not commence trading on the Stock Exchange until the Listing Date, which is typically expected to be approximately five business days after the Price Determination Date. Accordingly, you may not be able to sell or otherwise deal in our Shares during such period, and may be subject to the risk that the market price of our Shares could fall below the Offer Price before trading begins as a result of adverse market conditions or other adverse developments occurring during this period. As a result, you may suffer loss when reselling your Shares.

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Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares.

Future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. While we are not aware of any intention on the part of our Controlling Shareholders to dispose of significant amounts of their Shares upon the expiration of such lock-up periods, we cannot assure you that they will not dispose of any or all of the Shares they may own now or in the future. Any such disposal may have a negative impact on the price of our Shares.

Certain facts and statistics from official sources contained in this Prospectus have come from various government official publications whose reliability cannot be assumed or assured.

Facts and statistics from official sources contained in this Prospectus are derived from various publicly available government official publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Our Directors and the Sole Sponsor have taken reasonable care to ensure that the facts and statistics in this Prospectus are accurately reproduced from other respective official sources, however, these facts and statistics have not been independently verified by us. Our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering do not make any representation as to the accuracy or any other facts and statistics derived from government official publications, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government official publications may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Investors should read this entire Prospectus carefully, and we cannot assure you that any information contained in press articles or other media regarding us and the Global Offering is appropriate, accurate, complete or reliable. You should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.

Prior to the date of this Prospectus, there has been press information and media coverage regarding us and the Global Offering that was not disclosed in this Prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information disseminated in the media, and we do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this Prospectus, we disclaim it.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance the Securities and Futures (Stock Market Listing) Rules, the SFO and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Prospectus misleading.

APPROVAL AND CONFIRMATION FROM THE SHAREHOLDERS OF JANGHO CO. AND THE PRC AUTHORITIES

The listing of our Company was approved by the shareholders of Jangho Co. at an extraordinary shareholders' meeting on 19 May 2015 and Beijing People's Government on 13 July 2015. In addition, CSRC has given us its non-objection confirmation for the listing of our Company on 23 July 2015. In granting this non-objection confirmation, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this Prospectus and the Application Forms.

Our PRC legal advisers confirmed that all necessary approval, consent, authorisation and confirmation from the relevant PRC authorities or shareholders of Jangho Co. have been obtained with respect to the Global Offering and the Listing.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 50,000,000 Offer Shares and the International Placing of initially 450,000,000 Offer Shares (subject, in each case, to reallocation on the basis described in "Structure of the Global Offering" in this Prospectus).

The listing of the Shares on the Stock Exchange is sponsored by Guotai Junan Capital. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters and the International Placing is managed by the Sole Lead Manager and is underwritten by the International Underwriters. The International Placing Agreement is expected to be entered into on or about the Price Determination Date, subject to the execution of Price Determination Agreement in relation to fixing the Offer Price between our Company and the Sole Global Coordinator, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator, for itself and on behalf of the Underwriters, the Global Offering will not proceed and shall lapse.

Further details about the Underwriters and the underwriting arrangements are contained in "Underwriting" in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or about on 17 December 2015, or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company but in any event no later than on 18 December 2015, by entering into the Price Determination Agreement.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before the Price Determination Date, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this Prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this Prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this Prospectus. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering.

APPLICATION FOR LISTING OF SHARES ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including Shares which may be issued pursuant to Capitalisation Issue and the exercise of the Over-allotment Option) and upon the exercise of options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date.

Save as disclosed herein, no part of the Share of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Company, the Underwriters, the Sole Sponsor, any of their respective directors, supervisors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option are set out in "Structure of the Global Offering" in this Prospectus.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the Structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares in issue or to be issued pursuant to the Global Offering will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in British Virgin Islands.

Dealings in the Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's register of members in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

EXCHANGE RATE CONVERSIONS

For exchange rate conversions throughout this Prospectus, unless otherwise specified, translations of (i) HK\$ into RMB and RMB into HK\$ and (ii) HK\$ into MOP and MOP into HK\$ in this Prospectus are based on the rates set out below respectively (for the purpose of illustration only):

HK\$1.00 : RMB0.789

HK\$1.00 : MOP1.031

No representation is made that any amounts in RMB and HK\$ and/or MOP and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this Prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. NG Tak Kwan (吳德坤)	Flat 605, 6/F Block C, Kornhill Quarry Bay Hong Kong	Chinese
Mr. LEUNG Kai Ming (梁繼明)	61–63, 3rd Street Section K Fairview Park Yuen Long, New Territories Hong Kong	British
Mr. XIE Jianyu (謝健瑜)	Flat C, 49/F Block 3 La Cite Noble Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. NG Chi Hang (吳智恒)	Room 6, 29/F Block C Kam Hing Hse Kam Tai Crt Ma On Shan, New Territories Hong Kong	Chinese
Mr. PONG Kam Keung (龐錦強)	Flat E, 13/F Block 29 Laguna City 6 East Laguna Street Cha Kwo Ling, Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. LIU Zaiwang (劉載望)	1 Hao Yuan Ma Po Hua Yuan Ma Po Di Qu Shunyi District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential address	Nationality
<i>Independent non-executive Directors</i>		
Mr. TAM Anthony Chun Hung (譚振雄)	Flat D, 7/F Alpine Court 12 Kotewall Road Mid-levels Hong Kong	Canadian
Mr. HUANG Pu (黃璞)	502, 4th Door, 4/F No.2 Zhichun Road Haidian District Beijing PRC	Chinese
Mr. LI Zheng (李正)	9-608 Lianhua North Futian District Shenzhen PRC	Chinese

See “Directors and Senior Management” for further details of our Directors and senior management.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Guotai Junan Capital Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

**Sole Global Coordinator, Sole
Bookrunner and Sole Lead Manager**

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Pinsent Masons

50th Floor
Central Plaza
18 Harbour Road
Hong Kong

As to PRC law:

Tian Yuan Law Firm

10/F, China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District, Beijing
PRC

As to BVI law:

Conyers Dill & Pearman

2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Macau law:

Rui Afonso Lawyers' Office

Alameda Dr. Carlos D'Assumpção
n°s 411 a 417 Edifício Dynasty Plaza
4.º Andar, B/C/D
Macau

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to the EU sanctions law related to Russia:

Norton Rose Fulbright LLP

3 More London Riverside

London, SE1 2AQ

United Kingdom

As to Australian sanctions law related to Russia:

Norton Rose Fulbright Australia

Level 15, RACV Tower

485 Bourke Street

Melbourne

Australia

As to United States sanctions law related to Russia:

Husch Blackwell LLP

4801 Main Street, Suite 1000

Kansas City

Missouri

United States of America

64112

**Legal advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong law:

Troutman Sanders

34/F, Two Exchange Square

8 Connaught Place

Central

Hong Kong

As to PRC law:

Guantao Law Firm

7/F, Tower 2

Yingtai Center, 28 Finance Street

Xicheng District, Beijing

PRC

Auditors and reporting accountants

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Compliance adviser

Guotai Junan Capital Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Receiving bank

Standard Chartered Bank (Hong Kong) Limited

15/F, Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Commerce House Wickhams Cay 1 P.O. Box 3140 Road Town, Tortola British Virgin Islands VG1110
Headquarters and principal place of business in Hong Kong	25/F, Millennium City 3 370 Kwun Tong Road Kowloon Hong Kong
Company's website	<u>www.sundart.com</u> <i>(The contents on this website do not form part of this Prospectus)</i>
Company secretary	Mr. PONG Kam Keung (龐錦強) (HKICS & ICSA) Flat E, 13/F Block 29 Laguna City 6 East Laguna Street Cha Kwo Ling, Kowloon Hong Kong
Authorised representatives	Mr. XIE Jianyu (謝健瑜) Flat C, 49/F, Block 3 La Cite Noble Tseung Kwan O New Territories Hong Kong Mr. PONG Kam Keung (龐錦強) Flat E, 13/F Block 29 Laguna City 6 East Laguna Street Cha Kwo Ling, Kowloon Hong Kong
Audit committee	Mr. Tam Anthony Chun Hung (譚振雄) (<i>chairman</i>) Mr. Huang Pu (黃璞) Mr. Li Zheng (李正)
Remuneration committee	Mr. Huang Pu (黃璞) (<i>chairman</i>) Mr. Ng Tak Kwan (吳德坤) Mr. Tam Anthony Chun Hung (譚振雄)

CORPORATE INFORMATION

Nomination committee	Mr. Liu Zaiwang (劉載望) (<i>chairman</i>) Mr. Huang Pu (黃璞) Mr. Li Zheng (李正)
Internal control committee	Mr. Pong Kam Keung (龐錦強) (<i>chairman</i>) Mr. Xie Jianyu (謝健瑜)
BVI principal share registrar and transfer office	Codan Trust Company (B.V.I.) Ltd. Commerce House Wickhams Cay 1 P.O. Box 3140, Road Town Tortola British Virgin Islands VG1110
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited Level 11 HSBC Main Building 1 Queen’s Road Central Hong Kong Hang Seng Bank Limited 20/F 83 Des Voeux Road Central Hong Kong China Guangfa Bank Co., Ltd., Macau Branch Alameda Dr. Carlos D’ Assumpção n°s181 a 187 Centro Comercial do Grupo Brilhantismo, 18° Andar, em Macau

INDUSTRY OVERVIEW

Certain information and statistics set forth in this section and elsewhere in this Prospectus have been derived from various official government sources, market data providers and other independent third-party sources. In addition, this section contains information, including estimates, extracted from a report commissioned by us and prepared by Ipsos, or the Ipsos Report, for the purposes of this Prospectus. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, the information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, any of the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy or completeness. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section and elsewhere in this Prospectus.

HONG KONG FITTING-OUT MARKET

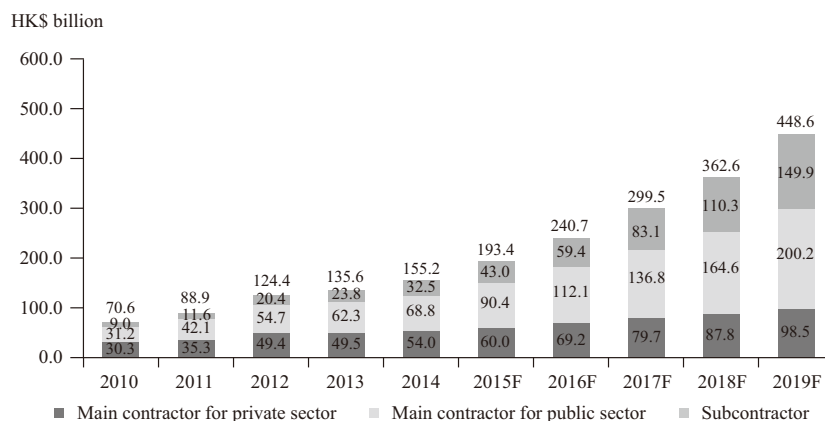
The Construction Industry in Hong Kong

The nominal GDP in Hong Kong has increased continuously in recent years, from HK\$1,776.8 billion in 2010 to HK\$2,255.6 billion in 2014, representing a CAGR of 6.1%, primarily due to a combination of the global economic recovery, increased private consumption, increased government investment in infrastructure projects and net exports. In line with the growth of the nominal GDP, the construction industry in Hong Kong has also experienced stable growth in the past few years. According to the Census and Statistics Department of the Hong Kong Government, the gross output value of construction works performed by main contractors for public sector, which primarily included projects commissioned by the Hong Kong Government, MTR Corporation Limited, Airport Authority and the Housing Authority, increased from HK\$31.2 billion in 2010 to HK\$68.8 billion in 2014, representing a CAGR of 21.9%, primarily led by the commencement of public infrastructure projects including the ten major infrastructure projects and public housing development programme. The gross output value of construction works performed by main contractors for private sector, which primarily included projects commissioned by private developers, increased from HK\$30.3 billion in 2010 to HK\$54.0 billion in 2014, representing a CAGR of 15.5%. It is expected that the gross output value of construction works performed by main contractors for public sector will continue to increase rapidly, from HK\$90.4 billion in 2015 to HK\$200.2 billion in 2019, representing a CAGR of 22.0%, primarily due to the Hong Kong Government’s initiatives to promote affordable public housing. The gross value of construction works performed by main contractors for private sector, is however expected to continue to increase moderately, from HK\$60.0 billion in 2015 to HK\$98.5 billion in 2019, representing a CAGR of 13.2%.

The following chart sets forth the total gross output value of construction by sector in Hong Kong from 2010 to 2014 and the forecast from 2015 to 2019.

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Gross Output Value of Construction Works in Hong Kong



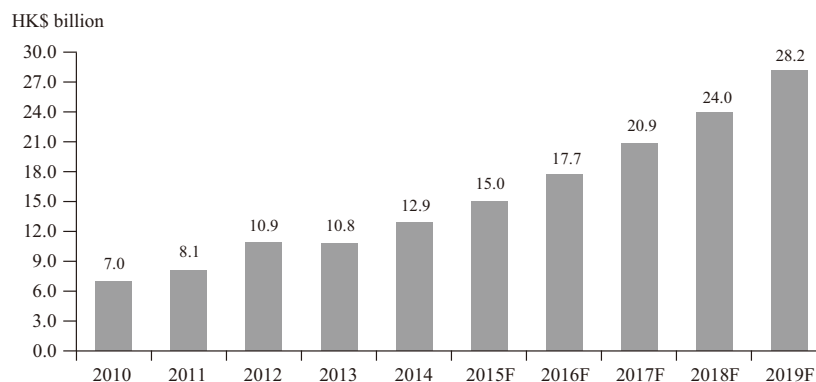
Sources: Census and Statistics Department of the Hong Kong Government, Ipsos research and analysis

Overview of the Fitting-out Industry in Hong Kong

Fitting-out works, as the process of making interior space suitable for occupation, generally follow the growth of the construction industry. In Hong Kong, the majority of the fitting-out works are conducted for private properties, including hotels and high-end residential properties. According to Ipsos Report, the revenue of fitting-out industry in Hong Kong increased from HK\$7.0 billion in 2010 to HK\$12.9 billion in 2014, representing a CAGR of 16.5%, primarily attributable to the increased number of completed hotels and high-end residential properties. It is expected that the revenue of fitting-out industry in Hong Kong will continue to increase, from HK\$15.0 billion in 2015 to HK\$28.2 billion in 2019, representing a CAGR of 17.1%, primarily due to the ongoing construction of new hotels, residential properties and retail shopping malls.

The following chart sets forth the revenue of fitting-out industry in Hong Kong from 2010 to 2014 and the forecast from 2015 to 2019.

Revenue of Fitting-out Industry in Hong Kong



Notes:

- (1) Revenue of fitting-out works industry is calculated by multiplying total value of building construction works with respective percentages for fitting-out works obtained from interviews.
- (2) The statistics cover revenue of fitting-out works under renovation projects.

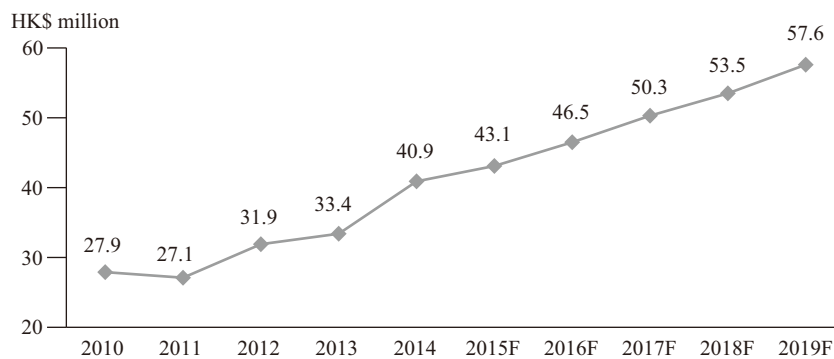
Sources: Census and Statistics Department of the Hong Kong Government; Ipsos interviews and analysis

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Price trends of the fitting-out industry in Hong Kong

According to Ipsos Report, the estimated average fee per fitting-out project in Hong Kong increased from HK\$27.9 million in 2010 to HK\$40.9 million in 2014, primarily due to the constant increase in the price of raw materials and labour costs. For instance, the average wholesale price of emulsion paint, cement and concrete blocks in Hong Kong, being the key raw materials for the fitting-out industry, increased from HK\$38.0 per litre, HK\$612.7 per tonne and HK\$60.0 per sq.m. in 2010 to HK\$52.0 per litre, HK\$720.4 per tonne and HK\$76.9 per sq.m. in 2014, representing CAGRs of 8.2%, 4.1% and 6.4%, respectively. It is expected that the estimated average fee per fitting-out project in Hong Kong will increase from HK\$43.1 million in 2015 to HK\$57.6 million in 2019, representing a CAGR of 7.5%. The following chart sets forth the estimated average fee per fitting-out project in Hong Kong from 2010 to 2014 and forecast from 2015 to 2019.

Estimated Average Fee per Fitting-out Project in Hong Kong



Sources: Ipsos research and analysis

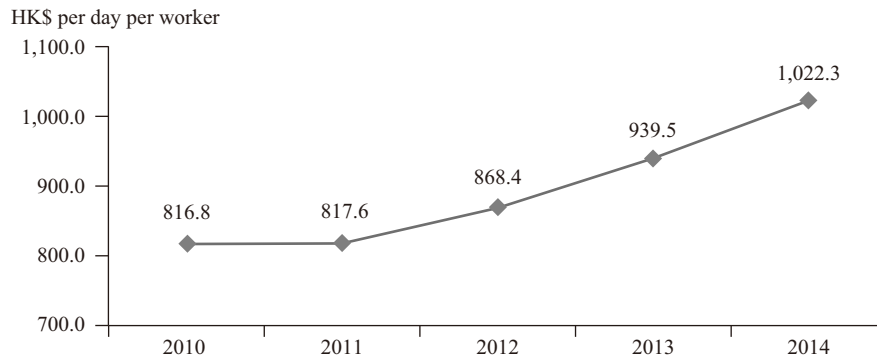
Estimated number and average wage of workers and professionals in fitting-out industry in Hong Kong

According to Ipsos Report, the estimated number of workers and professionals in fitting-out industry in Hong Kong increased from 178,706 in 2010 to 239,166 in 2014, representing a CAGR of 7.6%, primarily attributable to the continuous increase in the daily average wages. Among all types of workers in the fitting-out industry, the number of registered general workers experienced the most significant increases, from 161,302 in 2010 to 220,412 in 2014, representing CAGR of 8.1%.

The estimated average wage of workers in the fitting-out industry in Hong Kong increased from HK\$816.8 per day per worker in 2010 to HK\$1,022.3 per day per worker in 2014, representing a CAGR of 5.8%, primarily attributable to the growing imbalance between the labour demand and supply in the industry. Among all types of workers in the fitting-out industry, the average wage of general welders experienced the most significant increase, from HK\$829.8 per day per worker in 2010 to HK\$1,285.8 per day per worker in 2014, representing a CAGR of 11.6%. The following chart sets forth the estimated average daily wage of workers in fitting-out industry in Hong Kong from 2010 to 2014.

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Estimated Average Daily Wage of Workers in the Fitting-out Industry in Hong Kong



Note: The average daily wage of fitting-out workers is calculated based on the average daily wages of bricklayers, general welders, carpenters, painters and decorators, plasterers and registered general workers.

Sources: Census and Statistics Department of the Hong Kong Government, Ipsos research and analysis

Despite the continuous increase in the average wage of workers in the fitting-out industry from 2010 to 2014, it is expected that the labour shortage will continue. As at the end of 2014, approximately 40% of the 336,002 registered workers had worked in the industry for over 10 years and were over 50 years old. Their retirement in the coming years may further intensify the labour shortage in the industry. Under such circumstance, it is expected that the average wage of workers in the fitting-out industry in Hong Kong will continue to increase and in turn increase the project costs.

Market growth driver for fitting-out industry in Hong Kong

- **Continuing demand for hotels and retail shopping malls.** Being an international financial center and shopping paradise, the increased number of overnight tourists and business visitors to Hong Kong had in the past promoted the increase of the demand for hotels and retail shopping malls. According to the Hong Kong Tourism Board, although the number of visitors to Hong Kong in the first eight months of 2015 decreased by approximately 0.1% as compared with the same period in 2014, the total number of visitors to Hong Kong remained high. The slowdown trend is expected to continue because of the decreasing number of Chinese tourists to Hong Kong. Despite slowing tourism growth, Hong Kong remains an attractive international financial hub and shopping paradise, and is expected to continue to have a high demand for hotel buildings and retail spaces, thus driving the fitting-out works industry in Hong Kong. According to the Hong Kong Tourism Board published in August 2015, the hotel supply in Hong Kong is expected to increase at a CAGR of 5.0%, reaching a total of 305 hotels with 83,857 rooms in 2019 from 251 hotels with 73,807 rooms as at the end of June 2015. According to the Census & Statistics Department of the Hong Kong Government, the total retail sales value in the first nine months of 2015 decreased by 2.7% as compared to the same period last year, while the total retail sales volume increased slightly by 1.0% in the first nine months of 2015 as compared with the same period last year. According to the Rating and Valuation Department of the Hong Kong Government, the average rents for private retail premises were approximately HK\$1,583.7 per sq.m. per month in August 2015 as compared with HK\$1,449.7 per sq.m. per month in August 2014, despite that the growth of tourism industry has slowed down.

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- ***Population growth and hyperactive property market.*** It is expected that the market demand for residential properties, and hence fitting-out works in Hong Kong will increase continuously driven by the growing population and the hyperactive property market in Hong Kong. Under the estimation that approximately 221,900 public and private housing units will be completed to meet the increasing market demand in the coming five years, the market demand for fitting-out works is expected to continue to increase.

Future market trends of fitting-out industry in Hong Kong

- ***Increasing demand for fitting-out works from the public sector.*** Over the years, the majority of the fitting-out works have been provided to private properties in Hong Kong. However, it is expected that demand for fitting-out works in public sector will increase in the coming years as a result of the commencement of sizeable infrastructure projects such as the ten major infrastructure projects.

Competitive landscape of the fitting-out industry in Hong Kong

Key fitting-out contractors in Hong Kong

Fitting-out contractors must register with the Development Bureau as an approved supplier on the List of Approved Suppliers of Materials and Specialist Contractors for public works in the category of Turn-key Interior Design and Fitting-out Works before they submit tenders for certain public works in Hong Kong. According to Ipsos Report, there are ten registered fitting-out contractors on the approved list of suppliers of materials and specialist contractors for turn-key interior design and fitting-out works in public sector in Hong Kong. We are not one of them. There are no particular licensing or registration requirements for fitting-out subcontractors to carry out fitting-out works in both public and private sectors in Hong Kong, except for tendering for turn-key interior design and fitting-out works in public sector. Therefore, the number of fitting-out contractors carrying out works in the private sectors cannot be estimated according to Ipsos Report. However, since we primarily focus on sizeable fitting-out projects, we mainly compete with certain major fitting-out contractors.

In 2014, in terms of revenue, we were the largest fitting-out contractor in Hong Kong with approximately 6.1% of market share in 2014 and the top five fitting-out contractors in Hong Kong collectively held approximately 17.1% of market share in 2014.

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The following table sets forth the rankings of the top five fitting-out contractors in terms of revenue, their respective number of projects completed in 2014 and projects in progress as at the end of 2014 and market share in 2014.

Ranking	Company Name	Headquarter Location	Service Scope	Revenue in 2014 (HK\$' millions)	Share of Total Industry Revenue (%)	Number of Projects
1	Our Group	Hong Kong	Fitting-out works for hotels, club houses, government office, commercial and residential buildings	781.1	6.1%	40
2	Competitor A	Hong Kong	Fitting-out works for hotels, club houses, commercial and residential buildings	769.0	6.0%	9
3	Competitor B	Hong Kong	Fitting-out works for public work, commercial and residential buildings	235.9	1.8%	8
4	Competitor C	China	Fitting-out works for restaurants, retail outlets, commercial premises and service apartments	211.4	1.6%	12
5	Competitor D	Hong Kong	Fitting-out works for commercial and industrial buildings	202.1	1.6%	8
	Others			10,700.0	82.9%	
	Total			12,899.5	100.0%	

Notes:

(1) Data reflects revenue for the period of January to December 2014.

Sources: Companies' financial reports; companies' websites; companies' job references; Ipsos interviews and analysis

Opportunities and risks of the fitting-out industry in Hong Kong

In recent years, flagship stores in central business districts in Hong Kong such as Central, Causeway Bay and Tsim Sha Tsui opened by international luxury brands have kept increasing. Those flagship stores are usually multi-level stores with luxurious external and interior design, which provides increasing business opportunities for fitting-out contractors. In addition, the competition in high-end residential property market has been more and more intense. The property price, however, has kept

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increasing in recent years. Therefore, property purchasers have higher expectation on the quality of the property, including the fitting-out within separate units as well as the clubhouse. To remain competitive and attract more purchasers, it is expected that property developers would increase their investment in fitting-out works for their property development projects, which will in turn benefit fitting-out industry.

Major risks to the fitting-out industry in Hong Kong primarily include the continuous increase in prices of raw materials as well as the labour costs. The major raw materials for fitting-out works primarily include hardwood, homogeneous floor tiles, glazed ceramic wall tiles, paint and Portland cement, among which, hardwood experienced the most significant price increment from 2010 to 2014. According to the Cost of Materials Index provided by the Census and Statistics Department of the Hong Kong Government, the price index of hardwood increased at a CAGR of about 10.2%, from an average of approximately 149.1 in 2010 to an average of approximately 219.5 in 2014. In addition, the Cost of Material Index of glazed ceramic wall tiles also increased from an average of approximately 142.0 in 2010 to an average of approximately 189.3 in 2014, representing a CAGR of 7.5%. The labour costs in fitting-out industry in Hong Kong have also recorded significant increase in the past years. See “— Hong Kong Fitting-out Market — Estimated number and average wage of workers and professionals in fitting-out industry in Hong Kong”. It is expected that the increase in prices of raw materials and labour costs would further reduce fitting-out contractors’ profit margin.

Barriers to entry

- *Industry reputation and proven track record.* In an industry where quality of work, timeliness of project delivery are paramount, property owners and main contractors would prefer to work with established fitting-out contractors, which makes it difficult for new entrants to be awarded projects.
- *Relationships with property owners/main contractors.* It is the industry norm that fitting-out contractors are appointed by either the property owner or the main contractor of the project, both of which have their respective pre-qualified list of fitting-out contractors based on their capacity, expertise and track record. Priority may be given to fitting-out contractors with long-standing cooperative relationship instead of new entrants under the same conditions.
- *Substantial initial capital.* Substantial initial capital is required to initiate construction-related business, including fitting-out business, as the fitting-out contractor may need to make prepayments or deposits to suppliers and subcontractors and issue performance bonds to the customer. Therefore, it would be difficult for new entrants without sufficient cash flow to sustain themselves in the fitting-out industry.
- *Possession of experienced and qualified technical personnel.* Technical expertise is an important consideration when the project owner or main contractor awards the fitting-out contracts, in particular, those fitting-out contracts for sizeable or high-end properties. It may be difficult for new entrants to recruit and maintain experienced technical staff.

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MACAU FITTING-OUT MARKET

The Construction Industry in Macau

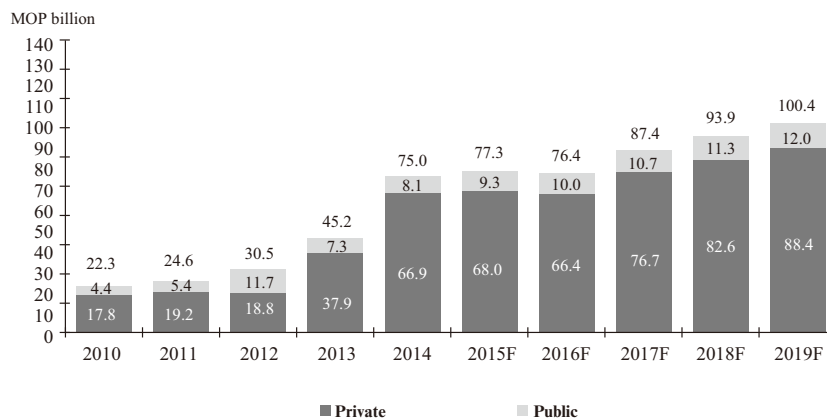
Benefited from the growth in tourism and gaming industries, Macau's nominal GDP increased from approximately MOP226.9 billion in 2010 to approximately MOP443.3 billion in 2014, at a CAGR of 18.2%. The construction industry has also experienced significant increase in recent years. The gross output value of construction works in Macau increased from approximately MOP22.3 billion in 2010 to approximately MOP75.0 billion in 2014, representing a CAGR of 35.4%. The gross output value of construction works in private sector in Macau increased from approximately MOP17.8 billion in 2010 to MOP66.9 billion in 2014, representing a CAGR of 39.2%, primarily due to the construction of major hotel and casinos, such as Parisian Hotel by Sands China Limited and the Galaxy Macau Phase II. Besides the private sector, the Macau Government has been increasing its infrastructure investment since 2010. For instance, Macau Government commenced major infrastructure projects such as the Taipa housing estates (氹仔經濟房屋), Seac Pai Van public housing (石排灣公共房屋), Cotai Ecological Conservation Zone Enhancement Scheme (路氹城生態保護區優化工程), temporary office building for The Court of Final Appeal (終審法院臨時辦公樓建造工程), the Macau East Asian Games Dome (澳門東亞運動會體育館) and Fai Chi Kei public housing (筷子基公共房屋) and completed major infrastructure projects such as the land reclamation plans for Macau New Urban Zone, Tunel do Ká Hó (九澳隧道) and Ponte de Sai Van (西灣大橋), all of which had driven the demand for construction services. As a result, the gross output value of construction works in public sector in Macau increased from approximately MOP4.4 billion in 2010 to MOP8.1 billion in 2014, representing a CAGR of 16.5%.

According to Macau 2014 Policy Address, Macau Government started to implement “post-19,000 units” scheme, which involves the construction of transportation and social facilities, which is expected to drive the demand for construction works in Macau during the period. Several large-scale construction projects such as the continual public housing development and land reclamation works are also expected to contribute to the future growth of the construction industry in Macau. As a result, the gross output value of construction works in Macau including infrastructure, buildings and electrical and mechanical works, is expected to increase from approximately MOP77.3 billion in 2015 to approximately MOP100.4 billion in 2019, at a CAGR of 6.8% despite a slight decrease in 2016. In addition, the estimated gross output value of building construction works in Macau is expected to decrease from MOP53.5 billion in 2014 to MOP45.4 billion in 2015 and further to MOP39.8 billion in 2016, taking into account the recent downturn trend in gaming industry in Macau. The estimated gross output value of building construction works in Macau is expected to increase again to MOP47.9 billion in 2017 and further to MOP54.3 billion in 2019, primarily due to the expected completion of several casinos and resorts to be completed in Cotai Macau and the expected completion of private properties.

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The following chart sets forth the total gross output value of construction by sector in Macau from 2010 to 2014 and the forecast from 2015 to 2019.

Gross Output Value of Construction Works in Macau

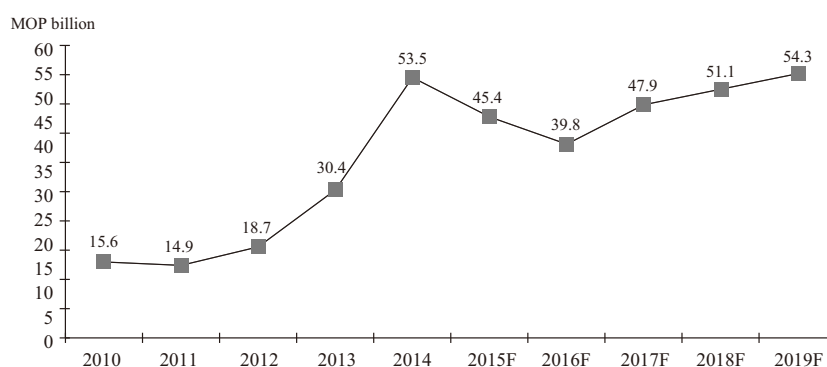


Note: Gross output value of construction works performed at construction sites in Macau includes the value of construction works performed by main contractors and subcontractors.

Sources: Statistics and Census Service of the Macau Government; Ipsos research and analysis

The following chart sets forth the estimated gross output value of building construction works in Macau from 2010 to 2014 and the forecast from 2015 to 2019.

Estimated Gross Output Value of Building Construction Works in Macau



Notes:

- (1) Included values of general building construction in progress and completion of buildings.
- (2) Included gross value of construction works performed by main contractors and subcontractors and other receipts.

Source: Statistics and Census Service of the Macau Government; Ipsos research and analysis

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Overview of Fitting-out Industry in Macau

Due to the booming gaming and tourism industries in Macau, the market demand for high-end hotels, casinos and residential buildings has continuously increased, which has in turn benefited fitting-out contractors, in particular, those focusing on providing fitting-out works to luxury properties. In addition, more international retail brands opened their retail stores in Macau which also provided additional business opportunities for fitting-out contractors. As a result, the revenue of fitting-out industry in Macau increased from MOP2,340.0 million in 2010 to MOP8,030.2 million in 2014, representing a CAGR of 36.1%. The significant increase in the revenue of 2014 probably marked the end of the cycle for high growth in the fitting-out industry and high construction activity in new hotel, serviced apartment and casino in Macau in the recent years and the period of lower construction activity in Macau is expected to follow. According to Ipsos Report, sharing the same trend of the estimated gross output value of building construction works in Macau, the revenue of Macau's fitting-out industry is expected to decrease from MOP6,202.3 million in 2015 to MOP5,030.8 million in 2016 reaching another cyclic trough taking into account the recent downturn in the gaming industry in Macau which may negatively affect the investment in hotel and casino projects thus resulting in a decrease in fitting-out works. It is expected that the revenue of the fitting-out industry in Macau to slightly increase again from MOP5,030.8 million in 2016 to MOP5,768.8 million in 2017 as a result of the expected completion of several casinos and resorts in Cotai Macau in 2017 and residential buildings as well as the expected increase in the number of visitors to Macau associated with the planned completion of Hong Kong-Zhuhai-Macau Bridge in 2017 and is expected to remain relatively stable in 2018 and 2019.

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The following table sets forth the major hotel projects in Macau completed in recent years or expected to be completed in the coming two years, showing a cyclic fluctuation in the number of hotels completed each year.

Hotel project name⁽¹⁾	Estimated commencement date	Estimated completion date
Galaxy Hotel	2007	2011
Hotel Okura	2007	2011
Banyan Tree Macau	2007	2011
Conrad Macao	2010	2012
The Sheraton Macao Hotel Cotai Central	2010	2012
Holiday Inn Macao Cotai Central	2010	2012
The Ritz-Carlton, Macau	2012	2015
JW Marriott Hotel Macau	2012	2015
Broadway Macau	2012	2015
The St. Regis Macao, Cotai Central	2013	2015
Melco Crown's Studio City	2012	2015
Crowne Plaza Macau	2011 ⁽³⁾	2015
Ascott Macau	2010	2015
Harbourview Hotel	2011 ⁽³⁾	2015
The Parisian Macao	2012	2016
Wynn Palace	2012	2016
MGM Resorts Cotai	2012	2016
Louis XIII casino-hotel	2013	2016
Wynn Diamond (Cotai Phase II)	2013	2016
Jai Alai Palace	2013	2016
Roosevelt Macau	2013	2016
Karl Lagerfeld Hotel	2014	2017
City of Dreams (fifth hotel tower)	2013	2017
Lisboa Palace	2014	2017
Palazzo Versace Macau	Late 2013 to early 2014	2017
Galaxy Phases 3&4	Late 2015 to early 2016	2018–2020

Source: Ipsos research and analysis

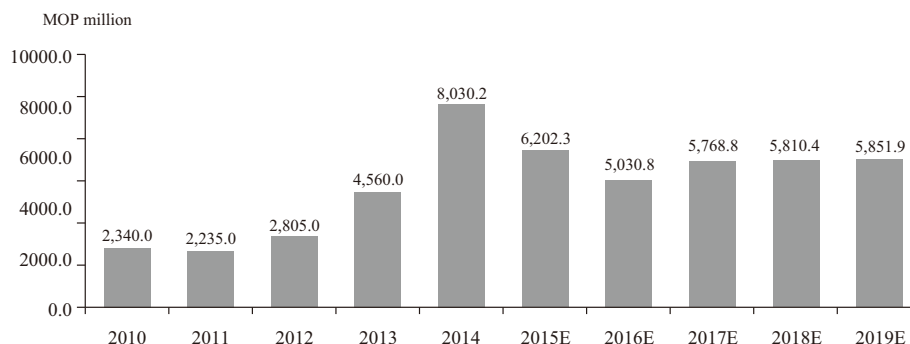
Notes:

- (1) The above table only includes five-star hotels accredited by the Macau Government Tourist Office.
- (2) Represents the information is not available from public sources or any other information source that Ipsos can access.
- (3) Information was based on our Directors' best estimate.

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The following chart sets forth the revenue of fitting-out industry in Macau, including revenue of fitting-out works for residential, commercial and office, commercial and residential, industrial and warehouses, service buildings and units, buildings and units of hotels and similar establishments, and infrastructure and other facilities, from 2010 to 2014 and the forecast from 2015 to 2019.

Revenue of Fitting-out Industry in Macau



Notes:

- (1) Revenue of fitting-out works industry is estimated principally by multiplying the total value of building construction works with respective percentages for fitting-out works obtained from interviews. The revenue included those fitting-out works under renovation projects.
- (2) The above forecast from 2015 to 2019 has been arrived by taking into account the following principal basis, assumptions and factors:
 - (i) an expected decrease in the estimated gross output value of building construction works in Macau, from MOP53.5 billion in 2014 to MOP39.8 billion in 2016 at a CAGR of -13.8% from 2014 to 2016, which is expected to increase again to MOP47.9 billion in 2017 and further to MOP54.3 billion in 2019 at a CAGR of 10.9% from 2016 to 2019, as compared with the historical CAGR of 36.1% from 2010 to 2014.
 - (ii) the forecast output volume of building properties is estimated by analysing the number of properties under construction, under planning and expected completion as contained in or obtained from various sources, including Statistics and Census Service, Macau Policy Address, other relevant policies announced by Macau SAR and other media;
 - (iii) in particular, no less than 20 hotel buildings are expected to be completed from 2015 to 2019 according to the public information published by major hotel owners/operators or other media, approximately 26,000 residential building properties to be completed from 2015 to 2019 according to Macau Policy Address and the planned completion of Hong Kong-Zhuhai-Macau Bridge in 2017;
 - (iv) the historical pattern for 2010 to 2014 that about 60% to 70% of the gross output value of construction works related to hotels and similar establishments;

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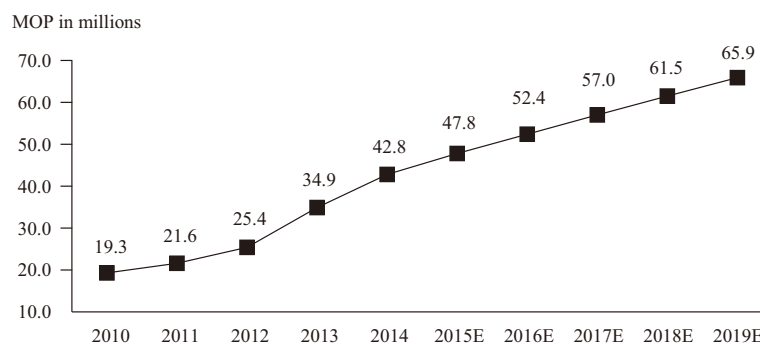
- (v) an expected CAGR of 8.4% of the average fee per fitting-out work project in Macau from 2015 to 2019 with reference to the historical CAGR of 22.0% from 2010 to 2014 and adjusted downward in view of the slowdown of construction works due to the recent downward trend of the gaming and tourism industry;
- (vi) an actual CAGR of 8.7% of the estimated number of workers in fitting-out industry in Macau and the actual CAGR of 3.8% of the average daily wage of fitting-out work workers in Macau from 2010 to 2014 in projecting the same for 2015 to 2019;
- (vii) the macroeconomy of Macau, including the recent downward trend of the gaming and tourism industry.

Sources: *Statistics and Census Service of the Macau Government; Ipsos research and analysis*

Price trends of the fitting-out industry in Macau

According to Ipsos Report, the estimated average fee per fitting-out project in Macau increased from MOP19.3 million in 2010 to MOP42.8 million in 2014, representing a CAGR of 22.0%, primarily due to the continuous increase in raw materials and labour costs. For instance, the average wholesale price of emulsion paint, cement and concrete blocks, being the key materials for the fitting-out industry in Macau, increased from MOP24.8 per litre, MOP641.8 per tonne, MOP310.5 per sq.m., respectively, in 2010, to MOP28.4 per litre, MOP816.0 per tonne, MOP666.0 per sq.m., respectively, in 2014, representing CAGRs of 3.4%, 6.2% and 21.0%, respectively. It is expected the estimated average fee per fitting-out project in Macau to increase from MOP47.8 million in 2015 to MOP65.9 million in 2019, representing a CAGR of 8.4%. The following chart sets forth the estimated average fee per fitting-out project in Macau from 2010 to 2014 and forecast from 2015 to 2019.

Estimated Average Fee per Fitting-out Project in Macau



Sources: *Ipsos interviews and analysis*

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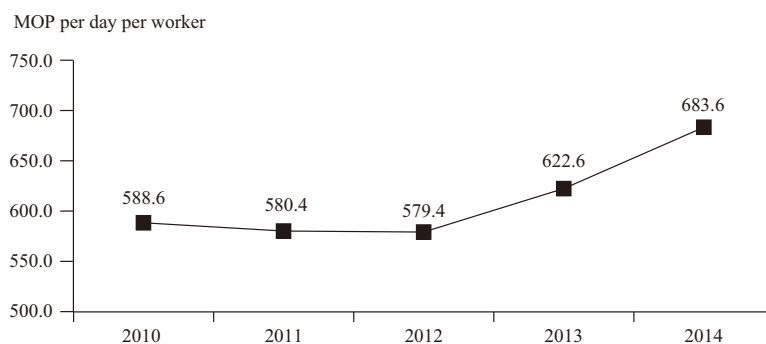
Estimated number and average wage of workers in fitting-out industry in Macau

Attracted by the increasing daily average wage, the number of workers in fitting-out industry in Macau has kept increasing. According to Ipsos Report, the estimated number of workers in fitting-out industry in Macau increased from approximately 10,840 in 2010 to approximately 15,160 in 2014, representing a CAGR of 8.7%. According to Ipsos Report, it is expected that the estimated number of workers in fitting-out industry in Macau will keep increasing in the coming years, led by the expanding market demand for fitting-out works.

Due to the increasing demand for skilled fitting-out workers as well as the labour shortage in the fitting-out industry, the estimated average wage of workers in fitting-out industry increased from MOP588.6 per day per worker in 2010 to MOP683.6 per day per worker in 2014, representing a CAGR of 3.8%. Among all types of fitting-out workers in Macau, the estimated average wage of general welders recorded the highest growth, from MOP651.8 in 2010 to MOP797.8 in 2014, representing a CAGR of 5.2%. According to Ipsos Report, it is estimated that the estimated average wage will further increase considering the labour shortage in fitting-out industry in the following years.

The following chart sets forth the estimated average wage of workers in fitting-out industry in Macau.

Estimated average wage of workers in fitting-out industry in Macau



Note: The average daily wage of fitting-out workers is calculated based on the average daily wages of bricklayers, general welders, painters (texture-spray), painters and decorators, plasterers and registered general workers.

Sources: *Macau 2009–10 Policy Address, the Statistics and Census Service of the Macau Government; Ipsos research and analysis*

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Market Growth Driver for fitting-out industry in Macau

- ***Stable number of hotels under construction.*** Macau's gaming industry has been experiencing a downturn, evidencing by the decrease of approximately 35.1% in the year-on-year tax revenue from the industry in the third quarter of 2015. However, despite declining gaming revenues, hotel and casino projects, such as the Louis XIII, the Wynn Palace and the MGM Cotai, are still under construction as planned. In addition, the Macau Government has devoted efforts in promoting business diversification to be operated by gaming operators such as encouraging gaming operators to increase non-gaming elements in their hotels and resorts to remain attractive. The Macau Government also promotes Michelin-star restaurants and tourist attractions to stimulate the tourism industry in Macau. Therefore, there is no specific trend showing that the downturn in Macau's gaming industry would result in a reduction in scale and the number of the hotel and casino projects. As a result, the revenue growth of Macau's fitting-out works industry is expected to continue from 2015 to 2019, stimulating the demand for extravagant and high-end interior decoration from these luxury hotel and casino operators.
- ***Increasing construction projects in Macau performed by private developers.*** Private developers have increased their investment in projects in Macau. For instance, in the Cotai Strip area, which is a reclaimed area considered as Macau's entertainment hub. Major construction projects launched in that area include the Parisian project launched by Sands China Limited, the hotel development projects launched by SJM Holdings Limited and the Macau Galaxy resort projects by Galaxy Entertainment Group Limited, all of which will demand for high-end external and interior fitting-out works.

Future market trends of fitting-out industry in Macau

- ***Entertainment projects in the Cotai Strip is expected to benefit the fitting-out industry.*** There are several major construction projects launched in the Cotai Strip, including the Parisian project launched by Sands China Limited, the hotel development projects launched by SJM Holdings Limited and the Macau Galaxy resort projects by Galaxy Entertainment Group Limited, all of which will demand for high-end external and interior fitting-out works.
- ***The demand from commercial sectors is expected to increase.*** During the first ten months of 2014, there were 4,407 companies newly established in Macau, representing a growth of 24.2% as compared with the number during the same time period last year. Among all those new companies, approximately 75% of them are wholesale, retail, construction and financial companies. It is expected that there will be increasing market demand for fitting-out works considering the growing number of newly registered companies.
- ***Macau Government has increased its support for housing supply.*** Over the past five years, Macau Government has devoted great efforts in increasing the public housing supply. It is expected that the increasing public housing supply will provide additional business opportunities for fitting-out industry.

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Competitive landscape of the fitting-out industry in Macau

Key fitting-out contractors in Macau

The fitting-out market in Macau is dominated by certain major fitting-out contractors, most of which are based in Hong Kong. According to Ipsos Report, there were approximately 30 fitting-out contractors based in Macau as at the end of 2014.

In 2014, in terms of revenue, we were the largest fitting-out contractor in Macau with approximately 15.5% of market share in 2014 and the top five fitting-out contractors collectively held approximately 29.6% of market share in 2014. The following table sets forth the rankings of the top five fitting-out contractors in terms of revenue, their respective number of projects completed in 2014 and projects in progress as at the end of 2014 and market share in 2014.

Ranking	Company Name	Headquarter Location	Service Scope	Revenue in 2014 (MOP in millions)	Share of Total Industry Revenue (%)	Number of Projects
1	Our Group	Hong Kong	Interior decoration for hotels, serviced apartment and residential buildings	1,246.7	15.5%	19
2	Competitor C	China	Interior decoration for restaurants, retail shopping malls, commercial premises and serviced apartment	509.8	6.3%	8
3	Competitor I	Hong Kong	Interior decoration for residential, hospitality, retail, commercial buildings	266.1	3.3%	18
4	Competitor A	Hong Kong	Interior decoration for residential, hospitality, retail, commercial buildings	192.5	2.4%	6
5	Competitor II	Hong Kong	Interior decoration for commercial and residential buildings	170.3	2.1%	6
	Others			5,644.8	70.4%	
	Total			8,030.2	100.0%	

Sources: Ipsos interviews and analysis

INDUSTRY OVERVIEW

Opportunities and risks of the fitting-out industry in Macau

There are several major construction projects launched in the Cotai Strip, Macau, including the Parisian project launched by Sands China Limited, the hotel development projects launched by SJM Holdings Limited and the Macau Galaxy resort projects by Galaxy Entertainment Group Limited, all of which will demand for high-end external and interior fitting-out works. In addition, other than the measures Macau Government adopted to secure the public housing supply, Macau Government has also implemented initiative to increase the supply of private residential properties. For instance, Macau Government intends to develop five redevelopment sites for the development of a combination of residential properties, commercial properties and cultural buildings. The largest redevelopment site, located at the northeast of Macau Peninsula, is planned to build 4,000 private residential units and 28,000 public housing units on. Meanwhile, the high-end residential property market in Macau is also booming caused by the increasing purchasing power of Macau citizens and investors abroad. The increasing number of high-end private residential projects will continue to benefit Macau's fitting-out industry.

However, the fitting-out industry is also subject to certain risks. Macau is a relatively small city with limited number of population, which may limited the growth of the construction industry. In addition, Macau's economy has heavily relied on its tourism and gaming industries over the years. If there is any growth fluctuation or even downturn in such industries, the market demand for fitting-out works will be affected directly. In addition, similar as Hong Kong, the labour costs have kept increasing in the past several years. According to Ipsos Report, it is estimated that the estimated average wage will further increase considering the labour shortage in fitting-out industry in the following years, which will adversely affect the profit margins of fitting-out contractors.

Barriers to entry

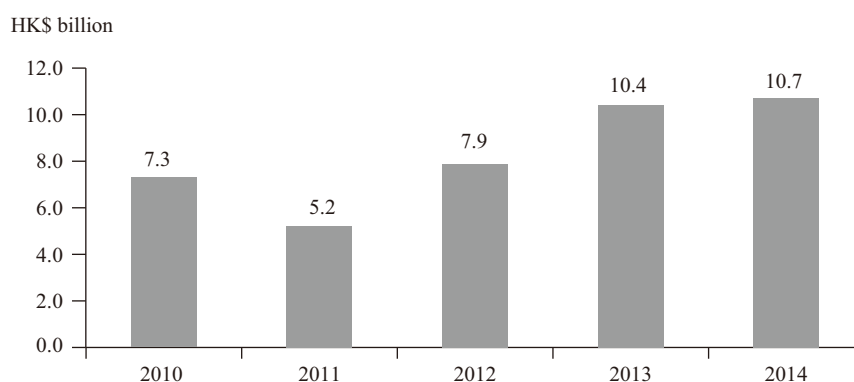
- *Industry reputation with proven track record.* Same as in Hong Kong, it may be more difficult for a new joiner that lack industry reputation and track records to compete with other established fitting-out contractors with industry reputation and proven track records.
- *Relationships with Macau-based maincontractors, subcontractors and other working parties.* Most fitting-out works contractors in Macau are based in Hong Kong. Therefore, maintaining good relationship with local partners, in particular, main contractors, would ensure a smooth project execution. However, a new entrant in fitting-out industry may not be able to establish an cooperative relationship with such local partners in a short time.
- *Possession of experienced and qualified technical personnel.* Same as in Hong Kong, it may be difficult for new entrants to recruit and maintain experienced technical staff.

INDUSTRY OVERVIEW

ALTERATION AND ADDITION WORKS IN HONG KONG

In recent years, the Hong Kong Government has published a series of policies to encourage the inspection, repair and maintenance works for ageing buildings, such as the Operation Building Bright and Building Inspection Scheme. In Policy Address 2014/2015, the Hong Kong Government reemphasised its plans to revitalise old and dilapidated buildings by implementing Self-initiated Redevelopment Projects and the Demand-led Redevelopment Project Pilot Scheme. As a result, the number of residential buildings under renovation and maintenance increased from 766 in 2010 to 876 in 2014 and the revenue of alteration and addition works in Hong Kong increased from HK\$7.3 billion in 2010 to HK\$10.7 billion in 2014, representing a CAGR of 10.0%.

Revenue of Alteration and Addition Works in Hong Kong



Note:

- (1) Revenue of alteration and addition works refers to total declared building costs of alteration and addition projects.

Sources: Buildings Department of the Hong Kong Government; Ipsos interviews and analysis

According to the Permanent Secretary for Development, there were approximately 5,900 buildings aged not less than 50 years in 2015, the number of which is estimated to increase by 580 each year. In addition, the number of buildings aged not less than 30 years was approximately 20,000 in 2015, which is expected to reach 30,000 by 2025. In addition, there were approximately 3,000 private buildings aged not less than 50 years as at the end of 2013 according to the information published by the Hong Kong Institution of Engineers in 2013. Buildings in Hong Kong are typically made of reinforced concrete, which have a life span of approximately 50 years. Therefore, alteration and addition works are needed to extend the life of buildings and slow down the pace of urban decay and the demand for such works is expected to increase in line with the increase of the number of ageing buildings. It is expected that the demand for alteration and addition works will continue to increase, which will provide a constant project stream for alteration and addition contractors.

INDUSTRY OVERVIEW

O2O COMMERCE PLATFORM FOR HOME DECORATION BUSINESS IN THE PRC

Home Decoration Industry Overview

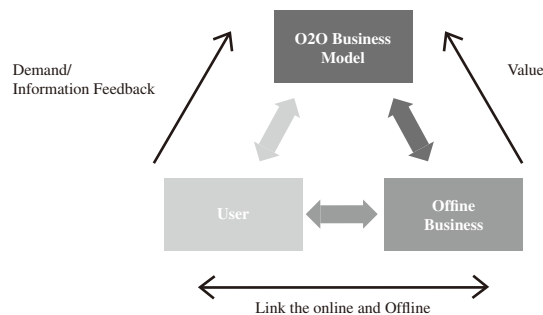
In recent years, Chinese residents' income and consumption level have kept increasing. The per capita disposable income of urban residents increased from RMB9,421.6 in 2004 to RMB28,843.9 in 2014, representing a CAGR of 11.8%, and the per capita cash consumption expenditure of urban households increased from RMB7,182.1 in 2004 to RMB19,968.1 in 2014, representing a CAGR of 10.8%, according to Ipsos Report. As their income and consumption levels keep increasing steadily, it is expected that Chinese residents will have higher requirements on their home decoration. As a result, it is expected that the market demand for home decoration services will keep increasing in line with the increased income and consumption level, according to Ipsos Report.

Generally, home decoration works involve design, material procurement, renovation, furnishing, installation of household appliances and after-renovation services. The traditional home decoration industry normally has a lengthy service chain and the quality of decoration works varies, partly caused by the lack of information transparency. However, the introduction of e-commerce business model into home decoration industry could streamline the service chain, reduce the need for middlemen and improve the overall quality of home decoration works.

E-Commerce Industry Overview

E-commerce has been increasingly popular in China in recent years. According to China International Electronic Commerce Center, the transaction sum in China's retail e-commerce market increased from RMB3.2 trillion in 2008 to RMB13.4 trillion in 2014, representing a CAGR of 27.0%. The market value of China's e-commerce market was RMB2.8 trillion in 2014, an increase of 49.7% as compared with that in previous year, representing approximately 10.6% of the total retail sales of social consumer goods in China, according to the China International Electronic Commerce Center.

O2O Business Model



O2O business model provides a platform that links the online customers and the offline physical merchants. Through the O2O commerce platform, online customers are directed to their favourite offline physical merchants based on the information provided by the platform. The combination of online and offline services streamlines the entire process of design, material procurement, renovation and construction and logistic distribution, which provides home decoration services in a more efficient way.

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INDUSTRY CONSULTANTS AND INFORMATION SOURCE

Overview

We commissioned Ipsos, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the fitting-out industry in Hong Kong and Macau. Currently, Ipsos has offices in 87 countries with over 16,000 staff globally. Ipsos has been assisting clients with their growth strategies since 1994 and has a strong track record with more than 2,800 consulting engagements covering markets globally.

Ipsos is independent of our Group and none of our Directors or their associates has any interest in Ipsos. Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, are independent of and not connected with us (within the meaning of Listing Rules) in any way. Ipsos has given its consent for us to quote from the Ipsos Report and to use information contained in the Ipsos Report in this Prospectus.

Research Methodology

Ipsos's independent market research was undertaken through both primary and secondary research obtained from various sources. Primary research involved in-depth interviews with key stakeholders and industry experts in Hong Kong and Macau, including building construction work contracting companies, electrical & mechanical work companies, fitting-out companies, main contractors, property developers, architects, industry experts, government officials (e.g. Development Bureau, Electrical and Mechanical Services Department of the Hong Kong Government etc.) and association (e.g. Hong Kong Construction Association). Secondary research involved desk research of government departments and statistics, trade and business media, company annual reports and publicity materials, industry reports and analyst reports, industry associations, industry journals, other online sources and data from the research database of Ipsos. Such methodology has guaranteed a multilevel information sourcing process, where information gathered will be able to be cross-referenced to ensure accuracy. Intelligence gathered has been analysed, assessed and validated using the in-house analysis models and techniques of Ipsos.

KEY ASSUMPTIONS AND PARAMETERS

The key assumptions used in Ipsos Report include: (i) Ipsos has assumed that there is no external shock such as financial crisis or natural disasters to affect the demand for and the supply of fitting-out industry in Hong Kong and Macau over the forecast period; and (ii) Ipsos has assumed that the supply of and demand for fitting-out works industry in Hong Kong and Macau are stable over the forecast period.

The parameters considered in the market sizing and forecast model of the Ipsos Report include: (i) nominal GDP value, growth rate and annual average income in Hong Kong and Macau from 2010 to 2019 and nominal GDP per capital and gross fixed capital formation value and growth rate in Hong Kong and Macau from 2010 to 2014; (ii) gross output value of construction works performed by main contractors and subcontractors at construction sites, gross output volume of buildings completed and under construction in Hong Kong and Macau from 2010 to 2019; (iii) revenue of building construction work contracting industry in Hong Kong from 2010 to 2019; (iv) the number of residential buildings under renovation and maintenance in Hong Kong from 2010 to 2019; (v) estimated number of hotels, private residential units, clubhouses in private residential communities and casinos completed in Macau from

INDUSTRY OVERVIEW

2010 to 2019; (vi) revenue of the fitting-out industry in Hong Kong and Macau from 2010 to 2019; (vii) estimated number of workers and professionals in the fitting-out industry and their estimated average wages in Hong Kong and Macau from 2010 to 2014; (viii) estimated average fee per fitting-out project in Hong Kong and Macau from 2010 to 2019; and (ix) price trend of emulsion paint, cement and concrete blocks in Hong Kong and Macau from 2010 to 2014.

We have extracted certain information from the research report of Ipsos, dated 8 December 2015, in this section as well as in “Risk Factors”, “Business”, “Financial Information” and elsewhere in this Prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate. We paid a fee of approximately HK\$0.5 million to Ipsos for this research report and our Directors consider that such fee reflects market rates.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report and various official government publications.

RELIABILITY OF INFORMATION IN THIS IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors believe the Ipsos Report is reliable and not misleading as Ipsos is an independent professional research agency with extensive experience in its profession.

Our Directors confirms that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the abovementioned sources which may qualify, contradict or have adverse impact on the information in this section.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

A. Fitting out and other building works, labour, health and safety

Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)

The Buildings Ordinance and associated regulations regulate the planning, design, and construction of buildings and associated works. The Buildings Ordinance and associated regulations contain a set of controls for undertaking any construction works, including the requirement to obtain prior approval and consent from the Building Authority before the commencement of works, and to appoint authorised persons (such as architects, engineers and surveyors registered under the Buildings Ordinance) and registered professionals to design and supervise the works, and registered contractors to carry out the works.

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works or minor works) in any building are exempt from the requirement for approval from the Building Authority if the works do not involve the structure of the building. Even if the building works satisfy the criteria under section 41(3) of the Buildings Ordinance and can be carried out without prior approval of the Buildings Ordinance, the works concerned would have to comply with the building standards stipulated in the regulations made under the Buildings Ordinance. It is a requirement under the Buildings Ordinance for an authorised person (who co-ordinates any building works and who prepares and submits plans for the approval of the Building Authority) to be appointed by either the ultimate beneficiary of the works, the employer of the works, or the contractor.

Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“B(MW)R”)

The B(MW)R is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”. Under the B(MW)R, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialisation of works in the industry. Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

All employees under contracts of employment are covered by the Employment Ordinance and as employers generally of personnel we are obliged to adhere to the Employment Ordinance.

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Under the Employment Ordinance, all employees are entitled to the following basic rights:

- wage payments;
- protection against wage deduction;
- statutory holiday entitlements;
- protection against discrimination;
- a notice period for termination of employment; and
- protection against unlawful dismissal.

Employees who have been employed continuously by the same employer for a period of four weeks or more with at least 18 hours worked in each week are further entitled to benefit such as compulsory rest days, paid annual leave, maternity leave, sickness allowance, severance and long service payments and MPF contributions.

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor (i.e. a subcontractor higher in the contractual chain) jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. This is relevant to our business as we subcontract certain works to subcontractors, and therefore can be exposed to a claim from a subcontractor's worker if he/she is not paid by his/her employer. Further we must be cautious to ensure that all workers on site are registered workers under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong). The risks of non-payment of labour and illegal workers can be managed through the careful selection of subcontractors we work with. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (ii) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due). An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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

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

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance establishes a no-fault and non-contributing employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of fault or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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

Under section 40 of the Employees' Compensation Ordinance, all employers (including the principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

REGULATORY OVERVIEW

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)

Employers are required to enrol their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in an Mandatory Provident Fund Scheme (“MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee’s relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

Industry Schemes (“**Industry Schemes**”) were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are “casual employees” whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

The MPFSO does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

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

Employers must, as far as reasonably practicable, ensure the safety and health at work of all employees by:

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

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

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The Commission for Labour may also issue an improvement notice against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment for up to 12 months.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance specifically provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

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

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements wilfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for six months.

Other matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules may constitute an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine of up to HK\$200,000 and imprisonment for up to 12 months.

Fatal Accidents Ordinance (Chapter 22 of the Laws of Hong Kong)

The Fatal Accidents Ordinance provides a mechanism for dependants of any person who died from any wrongful act, neglect, or default to claim damages against the individual who would be liable for the wrongful act, neglect, or default.

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B. Environmental protection

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant. It is customary for construction contracts in Hong Kong to place the responsibility for obtaining these on the contractor. The Air Pollution Control (Construction Dust) Regulation also requires precautionary measures for stock piling of materials on site.

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime on a day not being a general holiday, construction noise permits are required from the Environmental Protection Department in advance. It is customary for construction contracts in Hong Kong to place the responsibility for obtaining these on the contractor.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment in populated areas (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of the Environmental Protection Department which we are required to comply with.

All discharge, other than domestic sewage to a communal sewer or unpolluted water to a communal drain, must be approved by a water pollution control licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters. According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the water or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for up to six months and (i) at a first offence, a maximum fine of HK\$200,000; (ii) for a second or subsequent offence, a maximum fine of HK\$400,000. In addition, if the offence is a continuing offence, a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued will be imposed.

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)

The Waste Disposal Ordinance controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system. A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong). Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offence, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1 million or above will be required to establish a billing account with the Director of the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance

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arose or continues, or of that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

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

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

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

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

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

Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)

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

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

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C. Contractor registration regime

General building contractor and specialist contractor

Under the current contractors registration system in Hong Kong, a contractor carrying out private sector works must be registered with the Buildings Department either as general building contractor, specialist contractor or minor works contractor. The registration of specialist contractors is categorised by specialisation in demolition works, foundation works, site formation works, ventilation works and ground investigation field works. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered specialist contractors may only carry out specialised works in their corresponding categories in the sub-registers in which they have been entered. Registered general building contractors may also carry out all types of minor works as stipulated in Part 2 of Schedule 1 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) while registered specialist contractors may only carry out the minor works as specified in section 28(1)(b) to (e) of the Building (Minor Works) Regulation according to their corresponding categories in the sub-registers in which they have been entered.

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

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

In considering each application, the Building Authority will consider the qualifications, competence and experience of the following key personnel of the applicant:

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

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for the company and supervise the Authorised Signatory and other personnel, for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and

- (c) for a corporation which appoints a director who does not possess the required qualification or experience as Technical Director to manage the carrying out of building works and street works, an other officer as authorised by the board of directors shall be appointed to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff members to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

Contractor List maintained by WBDB

The Contractor List comprises contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, namely buildings, port works, roads and drainage, waterworks and site formation. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor's status in each group will be either probationary or confirmed.

The following table sets out the value of works for which contractors in the respective categories and statuses are eligible to tender, and for the award of contracts:

Category	Authorised contract value
Group A (probation status)	any number of Group A contracts in the same category, provided that the total value of works in the Group A contracts that the contractor already holds and the Group A contract being procured under the same category does not exceed HK\$75 million
Group A (confirmed status)	contracts of value up to HK\$75 million
Group B (probation status)	(i) any number of Group A contracts in the same category; and

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Category	Authorised contract value
	(ii) any number of Group B contracts in the same category, provided that the total value of works in the Group B contracts that the contractor already holds and the Group B contract being procured under the same category does not exceed HK\$185 million
Group B (confirmed status)	contracts of any value up to HK\$185 million
Group C (probation status) ^(Note 1)	the total number of Group C contracts that the contractor already holds and the Group C contract being procured under the same category does not exceed two and that the total value of works in the Group C contracts that he already holds and the Group C contract being procured under the same category does not exceed HK\$400 million ^(Note 2)
Group C (confirmed status) ^(Note 1)	contracts of any value exceeding HK\$185 million

Notes:

- (1) Group C contractors will normally not be allowed to tender for contracts in Groups A and B.
- (2) According to the ETWB Contractor Management Handbook, this limit shall be increased to HK\$500 million with effect from 1 December 2015.

A contractor's status in any group will either be probationary or confirmed. A probationary contractor may apply for confirmation in writing to the Secretary for Development when he has satisfactorily completed works appropriate to his probationary status in accordance with the criteria for confirmation for the relevant category and group. "Confirmed" contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements to that described above. Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public work contracts. Audited accounts of the approved contractors are submitted to the WBDB annually (in addition, a Group C contractor is also required to submit half-yearly management accounts) and may be produced to relevant government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for any contract in that category. Apart from such capital requirements, the ETWB Contractor Management Handbook also requires the contractor to employ a minimum number of full time management and technical personnel with the required qualifications in order to be retained on the Contractor List.

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The Development Bureau may take regulatory actions against the contractor's failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance, and court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal workers etc. For example, if an approved contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the contractor. Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident triggering the regulatory actions.

D. Laws expected to come into force which may impact our business

Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance will come into force on 14 December 2015 and will impact all businesses in Hong Kong. Serious anti-competitive conduct such as price fixing, market allocation and bid rigging/collusion will contravene the Competition Ordinance. The following may be unlawful:

- unprofitable pricing to gain market share and put pressure on competitors unable to compete;
- tying (one product can only be bought or used if another product is also bought);
- bundling (two or more products offered together at a discount);
- exclusive dealing arrangements or imposition of tougher pricing and terms for certain customers;
- sharing of pricing, information and agreement of practices/pricing through trade associations; and
- joint ventures/tenders by competitors capable of bidding independently.

The consequences of failing to comply with the Competition Ordinance are serious. Experience in countries which have similar legislation is that the authorities often focus on particular sectors such as construction, and therefore it is anticipated that construction companies such as ours are likely to be under scrutiny in this regard. Ensuring anti competitive conduct does not occur will become a continuous requirement for proper governance of the business, both in terms of tendering for projects and working with subcontractors and suppliers.

The Contract (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong)

The Contract (Rights of Third Parties) Ordinance will come into force on 1 January 2016. The Contract (Rights of Third Parties) Ordinance enables a party who is not a party to a contract to

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enforce provisions of a contract if either the contract expressly provides that it may do so, or if the relevant term purports to confer a benefit on an identifiable third party.

The Contract (Rights of Third Parties) Ordinance will apply to construction contracts and its potential effect is that future purchasers, tenants or funders of projects can directly sue the contractor for any defects in the works undertaken. This increases the risk profile of the projects we undertake. To manage this risk where possible it is proposed to exclude its application in our contracts with clients. This approach is likely to be easier with private sector rather than public sector clients in Hong Kong.

Security of Payment Legislation for the Construction Industry (“SOPL”)

The Hong Kong Government is currently consulting on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined by the Buildings Ordinance) which has an original value in excess of HK\$5 million will be caught in private sector. However where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process).
- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will be caught by the new SOPL legislation and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where SOPL applies, this will have a positive impact on ensuring that we get paid in a timely manner.

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MACAU LAWS AND REGULATIONS

Fitting-out works

Under the laws of Macau, for the purpose of the applicability of licensing regime, fitting-out works are divided into three categories: (i) simple works for residential unit (家居簡單裝修工程), which includes all interior alteration, repair and maintenance works that make no change of use of the unit, the structure or the area, nor a change of entrance openings, walls, facades or windows, water supply or drainage network fall into this category; (ii) simple works for non-residential unit (非家居簡單裝修工程), which only includes works in the units no larger than 120 sq.m. and are not subject to cross-supervision by different authority. In the case of ground-floor units, it includes fitting projection into facades of the unit, modifying façade with brickworks, glass, slabs or other materials, opening doors on the wall. In the case of interior area of a unit, it includes general painting, furniture and equipments fitting, removal of existing partition, repair, replacement or change of false ceiling, interior wall finishes, room door, in-flat supply of electrical power, floor finishes, skirting, toilet accommodation, in-flat supply pine system or in-flat discharge pine system, construction of partition walls with brickworks, glass, slabs or other materials; and (iii) non-simple works (非簡單裝修工程), which includes all fitting-out works other than the above two categories.

The fitting-out works of the above three categories are subject to different licensing requirements. The Bureau of Land, Public Works and Transport of Macau (澳門土地工務運輸局) (the “LPWT”) is the competent authority to supervise the implementation of the relevant requirements. The simple works for residential unit are not subject to any work license or prior notice. The simple works for non-residential unit are subject to giving a prior notice to LPWT. The non-simple works are subject to obtaining a work license from LPWT.

To make a prior notice or to obtain a work license to or from the LPWT, it is required to submit a declaration of an individual or a corporate constructor registered with LPWT to undertake all liability arising from relevant works and to comply with all architectural technique requirements. Registration of such individual or corporate constructor shall be renewed annually. If the prior notice or work license has been duly made or obtained by the main contractor or the first trade contractor of the works, the subcontractors or trade contractors who involve in any part of such works are not required to make or obtain any independent prior notice or license.

Labour related matters

The legal regime in relation to labour matters in Macau is developed based on Law No. 4/98/M which prescribed general principles and directions of labour legislations in different aspects and they are mainly established by the following regulations:

- Law No. 7/2008 — Labour Relation Law
- Decree-Law No. 44/91/M — Regulation on construction safety and hygiene
- Decree-Law No. 67/92/M — Penalties for violating regulation on construction safety and hygiene
- Decree-Law No. 37/89/M — General regulation of working safety and hygiene of office, service and commercial establishment;

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- Decree-Law No. 13/91/M — Penalties for violating regulation of working safety and hygiene of office, service and commercial establishment
- Decree-Law No. 34/93/M — Occupational noise juridical system
- Decree-Law No. 48/94/M — Penalties for violating occupational noise juridical system
- Decree-Law No. 40/95/M — Compulsory employees' compensation insurance, revised by the Laws No. 12/2001, 6/2007 and 6/2015 and the Executive Orders No. 89/2010 and 38/2015 (effective on 29 August 2015)

Amendment to Decree-Law No. 40/95/M by the Law No. 6/2015 has increased several new circumstances that give rise to compensation for work accidents and occupational diseases:

- The accidents occurred during the period when employees are directly routing back and forth between their residence and the workplace during tropical cyclone warning signals at or above the level No. 8, provided that they occur within three hours before or after the normal working period are qualified as work accidents. Further, the Uniform Employees' Compensation Insurance Policy has been amended accordingly, by the Executive Order No. 39/2015 which came into force on 29 August 2015, to reflect the above change in clause 3 of the policy.

Another relevant change caused by the Law No. 6/2015 is that all corporate entities even for those are irregularly incorporated, unincorporated associations and special committees are liable for the offences prescribed under the Decree-Law No. 40/95/M.

- Executive Order No. 237/95/M — Sets out the general conditions and schedule of the Uniform Employees' Compensation Insurance Policy, amended by the Executive Order No. 32/2001;

Environmental protection

The legal regime in relation to construction related environmental protection in Macau is established mainly based on the following legislations:

- Law No. 2/91/M — establishes the principle of safety and environmental law of Macau
- Law No. 8/2014 — about noise control regulations

As a general rule under the Law No. 2/91/M, any violation of the environmental legislation will be subject to civil liability, administrative fine or criminal punishment as stipulated in a numbers of legislations in various fields such as natural heritage protection, air, sea and noise pollutions, hygiene of environment, chemical goods, etc.

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According to the Law No. 8/2014, any work, which may produce annoying noise, is forbidden to be conducted during whole day of Sundays and public holidays and between 20:00–8:00 (next day) of weekdays. Any contractor who violates this rule within 200 meters from any residential building or hospital by use of moving or fixed mechanical equipment is liable to a fine up to MOP200,000.

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau.

Foreign trade

Under the Law No. 7/2003, a corporate or an individual who operates foreign trade on his own is required to register with Macau Economic Bureau as operator of Controlled Foreign Trade Operations for trading the goods (“**Controlled Good**”) listed in the Table A (for export control) and Table B (for import control) prescribed by the Executive Instructions No. 452/2011 and 27/2015, and other goods of value exceeding MOP5,000.

Unregistered foreign trade operator cannot obtain the license for trading the Controlled Goods or make declaration for trading goods of value exceeding MOP5,000. Any person operating foreign trade without the said license or declaration is liable to a fine up to MOP100,000 and MOP50,000. Alternatively, individuals or corporations who wish to carry out import or export businesses may engage a registered foreign trade operator to carry the goods and to provide customs clearance service.

PRC LAWS AND REGULATIONS

Incorporation, operation and management of wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法) (the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “**Standing Committee of the NPC**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Pursuant to the PRC Company Law, companies are classified into limited liability companies and limited companies by shares. Foreign-invested companies, both limited liability companies and companies limited by shares, are also regulated by the PRC Company Law, except for where foreign-investment related rules and regulations prevail.

The Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the “**Implementation Regulations**”), promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 govern the establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour issue of a wholly foreign-owned enterprise.

The PRC government directs the investment orientation of all types of enterprises in different industries within the territory of the PRC, manages investment programs, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the Catalog of

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Industries for Guiding Foreign Investment, (外商投資產業指導目錄) (the “**FI Catalog**”). The Catalog of Industries for Guiding Foreign Investment (2015 Amendment) (外商投資產業指導目錄(2015年修訂)) was promulgated by the NDRC together with the MOFCOM on 10 March 2015 and became effective on 10 April 2015. The FI Catalog divides industries into three categories: encouraged, restricted and prohibited. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited.

According to the FI Catalog (2015 Amendment), foreign investors are permitted to invest, on a wholly-owned basis, in the manufacturing and sales of plywood doors, fire doors, wooden flooring, furniture, decorative materials and other timber products, as well as providing after-sale installation services, which are our principal business in the PRC.

PRC taxation

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), effective on 1 January 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise tax on its worldwide income a rate of 25%.

A non-resident enterprise which has established agencies or offices in China shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income which is earned outside China but is actually associated with such agencies or offices. The rate of enterprise income tax is 25%.

A non-resident enterprise which hasn’t established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income earned from inside China. The rate of enterprise income tax is 20%.

Value-added tax

Organisations and individuals, who sell commodities, provide processing, repairing or replacement services, or import commodities within the territory of the PRC are subject to value-added tax (the “**VAT**”) in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “**Provisional Regulations on VAT**”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council of the PRC (國務院) which became effective on 1 January 1994 and was amended on 5 November 2008. The rate of the VAT is either 17% or 13%, depending on the goods being sold. For taxpayers exporting goods, the tax rate is zero percent except as otherwise stipulated by the State Council.

At present, Dongguan Sundart subject to VAT rates of 17%.

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Transfer Pricing of Affiliated Transactions

Pursuant to the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) (“**Implementation Regulations for Special Tax Adjustments**”), transactions in respect of the sale and purchase and transfer of products between enterprises under direct or indirect control by the same third party are regarded as affiliated party transactions and should comply with the arm’s length principle (獨立交易原則). If the failure of compliance with such principle results in reducing the income or taxable income of the enterprise or its affiliated parties, the tax authority has the power to make an adjustment by reasonable methods.

Pursuant to the EIT Law, (i) when submitting its annual enterprise income tax return to the tax authority, an enterprise shall attach an annual report on affiliated transactions (if any) between the enterprise and its affiliated parties; (ii) and when the tax authority investigates the affiliated transactions of an enterprise, the enterprise and its affiliated parties and other enterprise in connection with such affiliated transaction investigation shall provide relevant information as required. Pursuant to the Implementation Regulations for Special Tax Adjustments, enterprises shall prepare and preserve on a tax year basis the materials for the time periods wherein their affiliated transactions occur (hereinafter referred to as “**current materials**”), and shall submit the same to the relevant taxation authorities as required. However, enterprises which meet one of the following standards are exempt from preparing current materials: (1) where the total annual amount of affiliated purchases and sales is less than RMB200 million (the amount of processing business with provided materials shall be calculated based on the import and export customs declaration prices during the year) and other affiliated transaction amounts are less than RMB40 million (the amount of funds involved in financing business between affiliated enterprises shall be calculated based on the amount of interest paid or received) (such amounts shall not include affiliated transaction amounts involved in the execution of cost amortization agreements or advance pricing agreements (“**APA**”) (預約定價安排) arrangements by the enterprise during that year); (2) where affiliated transactions are within the scope of the APA arrangements; or (3) where the proportion of foreign-owned shares is less than 50% and affiliated transactions are conducted with domestic affiliated parties only.

Except as otherwise stipulated by the Implementation Regulations for Special Tax Adjustments, enterprises shall complete the preparation of current materials before 31 May of the year following the occurrence of the relevant affiliated transactions, and the materials shall be submitted within 20 days of the relevant taxation authorities’ request.

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Rules**”) which was promulgated by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Under these regulations, upon payment of the applicable taxes, foreign-invested enterprises may convert the dividends they receive in Renminbi into foreign currencies and remit such amounts outside the PRC through their foreign exchange bank accounts.

In general, the PRC government does not set a limit on the regular exchange international payment and transfer accounts. Foreign-invested enterprises are allowed to convert Renminbi into foreign

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currencies and remit abroad without the prior approval of the SAFE or its local branches: (i) when settling current account items in foreign currencies (in such case, payments must be made from their foreign exchange accounts and valid receipts and other related documents must be provided); and (ii) when distributing dividends to foreign investors (in such case, payments must be made from their foreign exchange accounts and the written resolutions of the board of directors on divided distribution and other related documents must be provided).

In other cases, including the settlement of foreign exchange under capital accounts (such as direct investment and increases in registered capital), foreign-invested enterprises may not convert Renminbi into foreign currencies or convert foreign currencies into Renminbi without the prior approval or registration of SAFE or its local branches.

Product quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”), which was promulgated on 22 February 1993, became effective on 1 September 1993 and amended on 8 July 2000. The Product Quality Law governs the product manufacturing and sales within the territory of the PRC and imposes liabilities on the manufacturers and sellers for the quality of the product manufactured or sold. Dongguan Sundart is subject to product quality liabilities imposed by the Product Quality Law.

According to the Regulations of the PRC on Certification and Accreditation (中華人民共和國認證認可條例), promulgated by the State Council on 3 September 2003 and effective on 1 November 2003, the PRC government encourages enterprises to adopt certifications on their products, services and management systems.

According to Administrative Regulations for Compulsory Product Certification (強制性產品認證管理規定), promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 3 July 2009 and effective on 1 September 2009, the PRC government implements a policy whereby the relevant products must pass a certification process (“**Compulsory Product Certification**”) and be affixed with a mark of certification before they can be delivered from factories, marketed, imported or used in any commercial activities.

In accordance with the Table of Description and Definition of Compulsory Product Certification Catalog (強制性產品認證目錄描述與界定表) promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on 16 December 2014, fire doors belong to the category of products listed in the catalog that requires Compulsory Product Certification.

Environmental protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), effective on 26 December 1989 and amended on 24 April 2014, and the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) (the “**Administration Regulations**”), promulgated and effective on 29 November 1998:

- (a) enterprises and institutions that cause environmental pollution must adopt effective measures to prevent and control the environmental pollution and any damage to the environment;

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- (b) enterprises must prepare a written report setting forth the environmental impact of a proposed project and proposed protective and mitigating measures and obtain the approval from relevant environment authorities to construct a project that may produce severe or moderate pollutants, or fill in an environmental impact registration form and file with the environment authorities to construct a project that may produce light pollutants;
- (c) enterprises and institutions must obtain a pollutant emission license before any discharge activities. Enterprises and institutions discharging pollutants in excess of the prescribed standards may be required by relevant environmental authorities to limit or suspend production for rectification or adopt effective measures to rectify its violation. If an enterprise or institution has been imposed a fine and ordered to rectify its violation but failed to do so, the environmental authorities may impose consecutive daily fines on such enterprise or institution, calculated on a daily basis consecutively from the date immediately following the date when it is ordered to make correction, until the day of review by the environmental protection authority.

According to the aforementioned provisions and other relevant laws and regulations on environmental protection, environmental protection authorities may levy charges on enterprises that discharge waste. If a manufacturer fails to obtain the necessary approvals through the relevant procedures, or discharges waste illegally, a fine and a penalty will be imposed by the PRC environmental authorities, including but not limited to the suspension of its operations.

Our business operations in the PRC must comply with laws and regulations concerning the environment protection, such as the Environmental Protection Law and the Administration Regulations. Environmental impact assessment must be done and approval must be obtained before a project is constructed. Our operations in the PRC shall also be under the supervision of relevant environmental authorities.

Provisions for import and export goods

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the Standing Committee of the NPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013 and 28 December 2013 and related regulations, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted Customs brokers that have registered with the Customs. The consignees and consignors for import or export goods and the Customs brokers engaged in Customs declaration shall register with the Customs in accordance with the law. Principal regulations on the inspection of import and export commodities are set out in the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and its implementation rules. According to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

REGULATORY OVERVIEW

Labour and safety

According to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and became effective on 1 January 1995, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Wages paid by employers may not be lower than the local minimum wage. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labour Contract Law (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and amended on 28 December 2012, and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, labour contracts must be executed in writing to establish labour relationships between employers and employees. Employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Both employers and employees must perform their respective obligations stipulated in the labour contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer toward the dispatched workers, including, among others, entering into a labour contract with a fixed term of more than two years with the workers and paying remuneration for their labour. The staffing company must conclude a labour dispatch agreement with the entities that receive labour services. In the event of a violation of any legal provisions of the Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties. The staffing company may be held jointly and severally liable together with the entity receiving workers from a staffing company in case harm is done to workers as a result of the entity receiving workers from a staffing company's violation of the Labour Contract Law.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) effective on 3 April 1999, as amended on 24 March 2002, a unit (including a foreign investment

REGULATORY OVERVIEW

enterprise) shall undertake the registration with the administrative center of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative center of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative center of housing provident funds will impose an order for payment within a prescribed time limit if such unit further fails to make payment within the aforesaid time limit, the center shall have the right to apply for compulsory enforcement in court.

We are also subject to safety laws and regulations in the PRC including the PRC Production Safety Law (中華人民共和國安全生產法) (the “**PRC Production Safety Law**”), which became effective on 1 November 2002 and amended on 31 August 2014. The PRC Production Safety Law requires us to maintain safe production conditions as provided in it and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. We are required to offer education and training programmes to our employees regarding production safety. In order to comply with applicable national or industrial standards, the design, manufacture, installation, use, checking and maintenance of our safety equipment is required. In addition, we are required to provide our employees with labour protection equipments that meet the national or industrial standards and to supervise and educate them to wear or use such equipments according to the prescribed rules.

Overseas investment by domestic residents

The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投資融資及返程投資外匯管理有關問題的通知) (“**SAFE Circular No. 37**”), promulgated and effective on 4 July 2014, replaced the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Return on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“**SPC**”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant foreign exchange bureau for foreign exchange registration of overseas investment. Mainland resident individuals include Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document but have habitual residences within the territory of the PRC due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

REGULATORY OVERVIEW

Pursuant to the Provisions on Foreign Exchange Administration for Overseas Direct Investment of Domestic Institutions (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知) (匯發[2009]30號), the Foreign Exchange Bureaus shall implement the foreign exchange registration and filing system for overseas direct investment of domestic institutions as well as the assets and relevant rights and interests gained from overseas direct investment.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (匯發[2015]13), the administrative examination and approval item verification and approval of foreign exchange registration under overseas direct investment, has been abolished. Instead, banks shall, directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. The SAFE and its branches shall conduct indirect regulation of Foreign Exchange Registration of Direct Investment via banks.

Foreign exchange record-filing of overseas re-investment has been cancelled — Overseas enterprises established or controlled by domestic investors are not required to go through foreign exchange record-filing procedures if they re-invest overseas to establish or control new enterprises overseas.

For details regarding regulatory and Shareholders' approval for the Listing, please refer to “History, Development and Reorganisation — Approvals and Confirmation from the Shareholders of Jangho Co. and the PRC Authorities”. As advised by our PRC legal advisers, our Company had obtained all necessary approvals and authorization in the PRC in relation to the Global Offering and the Listing.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Group can trace its roots back to 1986 when we commenced our business in Hong Kong as a contractor of fire-proofing materials and dry walls through our former subsidiary, Sundart Engineering Limited (“**Sundart Engineering**”) (*Note 1*), which was founded by Mr. Leung Kai Ming (“**Mr. Leung**”) and Mr. Ng Tak Kwan with their personal funds. For information on the background of Mr. Leung and Mr. Ng Tak Kwan, please see “Directors and Senior Management”.

We commenced our fitting-out business in 1988 when Sundart Engineering was involved as a subcontractor in a project in the PRC relating to structural spray fire-protection and fitting-out works. Subsequently in 1996, we commenced our fitting-out business in Hong Kong.

In 1992, we further expanded our business to manufacturing of timber products by establishing Dongguan Sundart as a wholly-owned subsidiary of Sundart Engineering, which transferred the entire equity interest in Dongguan Sundart to Sundart Timber in 1995. Subsequently in 2002, Sundart Living acquired the entire equity interest in Dongguan Sundart from Sundart Timber.

In 2001, our Company was incorporated in the BVI. Octopus Network Limited (“**Octopus**”), the initial shareholder of our Company, invested in our Group by acquiring 60% interests in Sundart Timber through our Company from a then shareholder, an Independent Third Party. Shortly after, Mr. Leung acquired the remaining 5% interests in Sundart Timber from the same vendor. As a result, Sundart Timber was owned as to 60%, 38% and 2% by our Company, Mr. Leung and Mr. Ng Tak Kwan, respectively.

In 2002 and 2003, further allotments of shares in our Company were made to Mr. Wong Kim Hung, Patrick (“**Mr. Wong**”), an Independent Third Party and Octopus. As a result, our Company was owned as to 91.7% and 8.3% by Octopus and Mr. Wong, respectively.

In 2003, to rationalise our Group’s structure, a share swap involving the following took place: (i) Mr. Leung and Mr. Ng Tak Kwan transferred their respective interests in Sundart Timber to our Company (and Mr. Ng Anthony who held such interests on trust for our Company) in exchange for the same proportion of interests in our Company; (ii) Mr. Leung transferred 18% interest in our Company to Mr. Ng Tak Kwan. As a result, our Company was held as to 55%, 20%, 20% and 5% by Octopus, Mr. Leung, Mr. Ng Tak Kwan and Mr. Wong, respectively, and became the holding company of Sundart Timber. Such shareholding structure of our Company remained unchanged until 2006. In 2003, our Company also became the holding company of Sundart Living (the holding company of Dongguan Sundart).

In 2005, to segregate Dongguan Sundart from our Group with a view to focus on our fitting-out business, our Company disposed of its entire interests in Sundart Living to Mr. Ng Anthony (a former shareholder of Octopus), Mr. Wong, Mr. Leung and Mr. Ng Tak Kwan. In 2006, Mr. Ng Anthony disposed of his entire interests in Sundart Living to Octopus.

In 2005, seeing the rapid developments in the tourism and the casino and hotel industries in Macau, we stepped in the Macau market and Sundart Macau was established to carry out our fitting-out business in Macau.

Note:

- (1) Sundart Engineering was not a member of our Group during the Track Record Period. To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, Sundart Engineering was wholly and beneficially owned by an Independent Third Party and did not have any business operations.

HISTORY, DEVELOPMENT AND REORGANISATION

In 2006, as Mr. Leung decided to take up the timber products manufacturing business while the other then shareholders of our Company would focus on our fitting-out business, Mr. Leung sold his entire interests in our Company to the then shareholders (namely, Octopus, Mr. Ng Tak Kwan and Mr. Wong) of our Company (then participated in the fitting-out business through its then subsidiaries) in exchange for all the shareholding interests in Sundart Living (then participated in the manufacturing of timber products manufacturing business through Dongguan Sundart) held by the same persons. As a result, our Company was owned as to 68%, 25% and 7% by Octopus, Mr. Ng Tak Kwan and Mr. Wong, respectively and Sundart Living became wholly owned (and Dongguan Sundart became indirectly wholly owned) by Mr. Leung and his wholly owned investment vehicle.

Impressed by our Group's work quality, Mr. Chan William ("Mr. Chan"), Ms. Li Wing Yin ("Ms. Li") and her brother, Mr. Li Chu Kwan ("Mr. Li") decided to invest in our Group through their investment vehicle, Golden Tiger Group Limited ("Golden Tiger") and started to negotiate with Octopus in late 2007. In 2008, Octopus ceased to hold any interest in our Group by selling its entire interests in our Company to Golden Tiger.

From 2009 to 2011, we tried to develop our fitting-out business in Qatar with a view to expand our geographic presence. Due to change of business strategies, we ceased such business in 2011.

In 2009, our Company underwent reorganisation in preparation for the listing of Rykadan Capital Limited (formerly known as Sundart International Holdings Limited) ("Rykadan Capital") including (i) Mr. Leung acquiring 10.2% interests in our Company from Golden Tiger (thereby signifying Mr. Leung's rejoining our Group); (ii) Golden Tiger further transferring all its interests in our Company to Mr. Chan's wholly owned investment vehicle and Mr. Li and Ms. Li's wholly owned investment vehicle; (iii) all the then existing shareholders of our Company subsequently transferring their interests in our Company to Rykadan Capital in exchange for shareholding interests in Rykadan Capital. Rykadan Capital was listed on the Main Board of the Stock Exchange in August 2009 (stock code: 2288).

To further develop our business of sourcing and distribution of interior decorative materials and to secure a cost-efficient source of timber products, Sundart Products acquired the entire interests in Sundart Living from Mr. Leung and his wholly owned investment vehicle in October 2010. As a result, Sundart Living and its wholly owned subsidiary, Dongguan Sundart have become our indirect wholly owned subsidiaries.

In October 2010, we acquired the entire issued share capital in Kin Shing through our wholly-owned subsidiary (namely, Glory Spring) and commenced our alteration and addition and construction business in Hong Kong.

To expand its business coverage and to create synergy among its business segments, Jangho Group decided to invest in our Group. Jangho HK acquired 85% interests in our Company from Rykadan Capital in June 2012 and further acquired the remaining 15% interests in our Company in December 2014 and, as a result, became the direct holding company of our Company until the Reorgansation.

For more information on the major acquisition and disposals by our Group and our key shareholding changes, please see "— Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period" below.

HISTORY, DEVELOPMENT AND REORGANISATION

MAJOR ACQUISITION, DISPOSALS AND SHAREHOLDING CHANGES OF OUR SUBSIDIARIES AND ASSOCIATE COMPANY DURING THE TRACK RECORD PERIOD

Acquisition of SLDL Group

SLDL is a limited liability company incorporated in Hong Kong on 25 June 1997. As at the Latest Practicable Date, SLDL and its 13 subsidiaries (including nine operating subsidiaries and four investment holding subsidiaries) (the “**SLDL Group**”) were principally engaged in the business of provision of high-end interior design services in Hong Kong and the PRC.

To enhance its capability of interior design, create synergy among its business segments and to further expand its domestic and overseas markets, Jangho Group decided to acquire majority interests in SLDL Group. As our Group was engaged in the fitting-out business in Hong Kong, which might create direct synergistic effect with the business of SLDL Group, our Group took the view that it is to our benefit to acquire interests in SLDL Group. As such, in February 2014, Eagle Vision acquired 70% interests in SLDL from its then sole shareholder, Mr. Leung, Chi Tien Steve (“**Mr. Steve Leung**”), at the consideration of HK\$350.0 million. Such consideration was determined after arm’s length negotiation between the relevant parties with reference to, inter alia, the fair value of the identified assets, financial position, future revenue and profits forecast of SLDL (the “**SLDL Acquisition**”). The consideration was fully settled by Eagle Vision on 22 July 2015. Upon completion of such acquisition and up to the Latest Practicable Date, SLDL was beneficially owned as to 70% and 30% by Eagle Vision and Mr. Steve Leung, respectively. Mr. Steve Leung is a well-known architect and interior designer. To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, Mr. Steve Leung was an Independent Third Party.

Our Directors confirm that the SLDL Acquisition has been properly and legally completed and settled and complies in all material respects in accordance with the applicable laws.

As Eagle Vision is a company held as to 28.57%, 28.57% and 42.86% by Gloryeild (a wholly owned subsidiary of our Company), Health Capital Enterprises Limited (an indirect non-wholly owned subsidiary of Jangho Co.) and Peacemark Enterprises Limited (a wholly owned subsidiary of Jangho HK) respectively, our interests in SLDL are accounted for as an investment in an associate in our consolidated financial statements.

For the year ended 31 December 2014 and eight months ended 31 August 2015, our share of profits of associates derived from our interests in SLDL accounted for approximately 9.6% and 1.0% of our profit for the year/period, respectively.

Our Directors are of the view that the business of SLDL would not compete, or is not expected to compete, directly or indirectly, with our principal business. For details, please see “Relationship with Controlling Shareholders”.

HISTORY, DEVELOPMENT AND REORGANISATION

Disposal of Sundart Beijing

Sundart Beijing is a limited liability company established in the PRC by Sundart Timber on 19 September 2003 with a view to expand our PRC fitting-out business. Sundart Beijing had been a wholly owned subsidiary of Sundart Timber until 26 November 2012, when Sundart Beijing increased its registered capital by HK\$26.7 million, representing approximately 25% of its enlarged registered capital after such capital increase, with a view to acquire new funding for its development. Such increased registered capital was subscribed by Jangho Co. at par, and was fully contributed by Jangho Co. by 16 November 2012. Upon completion of such capital increase, the registered capital of Sundart Beijing was increased to HK\$106.7 million and Sundart Beijing was beneficially owned as to 75% and 25% by Sundart Timber and Jangho Co., respectively.

On 5 December 2014, Sundart Beijing further increased its registered capital by HK\$30.0 million, which was subscribed by Sundart Timber and Jangho Co. on a pro-rata basis in accordance with their respective equity interests in Sundart Beijing at par. The increased capital of Sundart Beijing has been fully contributed by Sundart Timber and Jangho Co. by 25 November 2014. Upon completion of such capital increase, the registered capital of Sundart Beijing became HK\$136.7 million and Sundart Beijing was beneficially owned as to 75% and 25% by Sundart Timber and Jangho Co., respectively.

The Listing would constitute a spin-off of certain assets and businesses held by our Group from Jangho Co., the A shares of which are currently listed on the Shanghai Stock Exchange (stock code: 601886). Such spin-off would require the obtaining of no-objection confirmation from the CSRC. According to the Circular 67, one of the conditions for granting such no-objection confirmation is that the business of the group of companies to be spun off shall not compete with that of its listed parent company (the “**PRC Non-competition Requirement**”). Both Beijing Gangyuan Architectural Decoration Engineering Co., Ltd. (北京港源建築裝飾工程有限公司) (“**Beijing Gangyuan**”), a subsidiary of Jangho Co. (ultimately held as to 95% and 5% by Jangho Co. and an Independent Third Party, respectively, as at the Latest Practicable Date) and Sundart Beijing, a then indirect subsidiary of our Company are principally engaged in the fitting-out business in the PRC. To ensure compliance with the PRC Non-competition Requirement, Sundart Timber transferred 50% equity interests in Sundart Beijing to Jangho HK on 24 April 2015 at the consideration of approximately HK\$91.4 million (the “**First Sundart Beijing Disposal**”). Such consideration was determined after arm’s length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014 (being approximately HK\$182.9 million) and was fully settled by Jangho HK by 16 June 2015. Upon completion of the First Sundart Beijing Disposal, Sundart Beijing became an associate company of our Company and our Group ceased to have any fitting-out business in the PRC.

To further enhance the business delineation between Jangho Group and our Group, Sundart Timber further disposed the remaining 25% equity interests it held in Sundart Beijing to Jangho HK on 25 June 2015 at the consideration of approximately HK\$45.7 million which was determined after arm’s length negotiation between the relevant parties with reference to the audited net asset value of Sundart Beijing as at 31 December 2014 (being approximately HK\$182.9 million) (together with the First Sundart Beijing Disposal, the “**Sundart Beijing Disposals**”). On 29 June 2015, Jangho HK paid approximately HK\$2.3 million or 5% of such consideration to our Group. According to the relevant equity transfer agreement, the remaining consideration has been fully settled on 10 September 2015. Upon the change of the shareholding which was effective on 25 June 2015, we ceased to have any interest in Sundart Beijing (and Sundart Dalian).

HISTORY, DEVELOPMENT AND REORGANISATION

For the years ended 31 December 2012, 2013 and 2014, the consolidated net profits of Sundart Beijing accounted for approximately 2.3%, 15.0% and 1.8% of our total net profits during the same period, respectively; the consolidated revenue of Sundart Beijing accounted for approximately 15.7%, 34.4% and 32.3% of our total revenue during the same period, respectively. For the period commencing from 1 January 2015 up to 24 April 2015 (i.e. the date since when Sundart Beijing ceased to be our subsidiary), Sundart Beijing recorded a consolidated net loss. For the eight months ended 31 August 2015, approximately 11.1% of our revenue was derived from Sundart Beijing.

Our PRC legal advisers have confirmed that all the approvals required for the changes of shareholdings in Sundart Beijing (including Sundart Beijing Disposals) have been obtained and each of such shareholding changes has been properly and legally completed and settled and comply with in all material respects with PRC law and regulation.

Our Directors are of the view that the business of Sundart Beijing would not compete, or is not expected to compete, directly or indirectly, with our principal business. For further details, please see “Relationship with Controlling Shareholders”.

Disposal of Elite Tech

Elite Tech was incorporated in Hong Kong with limited liability on 25 March 2011 with a view to hold interest in Sundart Emirates, a company which was engaged in the provision of interior design implementation works in the Middle East. Since the date of its incorporation and up to the Elite Tech Disposal, Elite Tech had been wholly and beneficially owned by Sundart Investments. On 26 May 2011, Elite Tech acquired 49% legal interests and 51% beneficial interests in Sundart Emirates from Sundart Investments (Middle East) Limited. Upon completion of such acquisition, Sundart Emirates was wholly and beneficially held by Elite Tech by itself (holding 49% interests) and through an Independent Third Party nominee (holding 51% interests for and on behalf of Elite Tech).

On 29 June 2015, to simplify our Group’s structure, Sundart Investments transferred its entire interests in Elite Tech to Jangho HK at the consideration of HK\$1, which was determined after arm’s length negotiation between the relevant parties, having considered that Elite Tech and Sundart Emirates did not have any business operation and had no material assets at the relevant time (the “**Elite Tech Disposal**”). Such consideration was fully settled by Jangho HK on 30 June 2015. Upon completion of such disposal, Elite Tech and Sundart Emirates ceased to be our subsidiaries.

To the best knowledge of our Directors, as at the date of the Elite Tech Disposal, Elite Tech did not hold any business other than its interests in Sundart Emirates. Sundart Emirates was struck off from the records of the Department of Economic Development of Abu Dhabi on 15 September 2015. Our Directors are of the view that the business of Elite Tech could not compete, or is not expected to compete, directly or indirectly, with our principal business.

For the years ended 31 December 2012, 2013 and 2014, Elite Tech had recorded consolidated net losses of HK\$2.1 million, HK\$0.5 million, HK\$0.2 million, respectively. For the period commencing from 1 January 2015 up to 29 June 2015 (i.e. the date since when Elite Tech ceased to be our subsidiary), Elite Tech had recorded unaudited consolidated net profit of HK\$4.3 million. For the years ended 31 December 2012, 2013 and 2014 and eight months ended 31 August 2015, we derived approximately 0.1%, nil, nil and nil revenue from Elite Tech, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Directors confirm that the Elite Tech Disposal has been properly and legally completed and settled and complies with the applicable laws in all material aspects.

OUR BUSINESS MILESTONES

The following table summarises the key business milestones of our business development since our inception:

Time	Event
1986	<ul style="list-style-type: none">• We commenced our business as a contractor of fire-proofing materials and dry walls
1988	<ul style="list-style-type: none">• We commenced our fitting-out business in the PRC
1992	<ul style="list-style-type: none">• We further expanded our business to manufacturing of timber products
1996	<ul style="list-style-type: none">• We commenced our fitting-out business in Hong Kong
2005	<ul style="list-style-type: none">• We expanded our fitting-out business into Macau• We expand our production capacity for timber products by setting up a 800,000 square-foot factory in Dongguan, the PRC with a view to support our fitting-out business
2009	<ul style="list-style-type: none">• We received Certificate of Compliance issued by Underwriters Laboratories for our prefabricated fire door products and prefabricated window frame products
2010	<ul style="list-style-type: none">• We acquired Kin Shing and commenced our alteration and addition and construction business in Hong Kong• Dongguan Sundart was accredited as an AWI Qualified Enterprise by Architectural Woodwork Institute
2012	<ul style="list-style-type: none">• Jangho HK acquired 85% interests in our Company• Dongguan Sundart was accredited as Top 10 Fire Door Brands by China High-tech Industrialization Association
2013	<ul style="list-style-type: none">• The amount of new contracts awarded to us for the year ended 31 December 2013 reached HK\$3.79 billion ^(Note 1)
2014	<ul style="list-style-type: none">• The amount of new contracts awarded to us for the year ended 31 December 2014 reached HK\$6.24 billion ^(Note 2)• Jangho HK acquired the remaining 15% interests in our Company

HISTORY, DEVELOPMENT AND REORGANISATION

Note:

- (1) Including the contract amounts for discontinued business of HK\$1.45 billion
- (2) Including the contract amounts for discontinued business of HK\$1.15 billion

HISTORY OF OUR COMPANY

On 21 May 2001, our Company was incorporated in BVI as an international business company and was automatically re-registered as a BVI business company with limited liability on 1 January 2007. On 10 October 2001, our Company issued one Share of US\$1 to Octopus. For details of Octopus, see “— Key Former Shareholders of Members of Our Group”. Our Company was the holding company of all of our subsidiaries. Set out below is a summary of the change in shareholding structure of our Company since its inception.

On 9 February 2002, our Company allotted and issued 10 shares to Octopus at par value.

On 11 March 2002, our Company allotted and issued one share to Mr. Wong at the consideration of US\$371,795, which was determined after arm’s length negotiation between the parties with reference to, *inter alia*, the costs for acquiring the interests in 60% interests in Sundart Timber by our Company from Golden Blossom Investments Limited (an Independent Third Party) (“**Golden Blossom**”) on 15 October 2001. Upon completion of such allotment, our Company was beneficially owned as to 91.67% and 8.33% by Octopus and Mr. Wong, respectively.

On 15 July 2003, our Company allotted and issued four shares to Mr. Wong at par value. Upon completion of such allotment, our Company was beneficially owned as to 68.75% and 31.25% by Octopus and Mr. Wong, respectively.

On 16 July 2003, our Company allotted and issued 44 shares to Octopus at the consideration of US\$4,089,728, which was determined after arm’s length negotiation between the parties thereto with reference to, *inter alia*, 60% (being the then shareholding of our Company in Sundart Timber) of the audited net assets value of Sundart Timber as at 31 March 2003. Upon completion of such allotment, our Company was beneficially owned as to 91.67% and 8.33% by Octopus and Mr. Wong, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

On 1 August 2003, pursuant to a share swap arrangement (the “**2003 Share Swap**”) ^(Note 1), (i) our Company allotted and issued two shares and 38 shares to Mr. Ng Tak Kwan and Mr. Leung, respectively; and (ii) Mr. Leung transferred 18 shares to Mr. Ng Tak Kwan. Upon completion of the 2003 Share Swap, our Company was beneficially owned as to 20%, 20%, 55% and 5% by Mr. Ng Tak Kwan, Mr. Leung, Octopus and Mr. Wong, respectively.

On 15 July 2006, pursuant to a share exchange (the “**2006 Share Exchange**”) ^(Note 2), Mr. Leung transferred 13 shares or 13% interests, five shares or 5% interests and two shares or 2% interests in our Company to Octopus, Mr. Ng Tak Kwan and Mr. Wong, respectively. Upon completion of the 2006 Share Exchange, our Company was beneficially owned as to 25%, 68% and 7% by Mr. Ng Tak Kwan, Octopus and Mr. Wong, respectively.

On 4 July 2007, our Company allotted and issued 1,250 shares, 3,400 shares and 350 shares to Mr. Ng Tak Kwan, Octopus and Mr. Wong, respectively, at par value and on a pro-rata basis with reference to their respective interests therein. Upon completion of such allotment, the shareholdings in our Company remained unchanged.

Notes:

- (1) To rationalise our Group’s structure, on 1 August 2003, our Company, Mr. Leung, Mr. Ng Tak Kwan and Mr. Ng Anthony executed various documents to implement the 2003 Share Swap including: (i) Mr. Leung transferred his legal interests in 17,673,799 shares or 37.99% interests in Sundart Timber to our Company in exchange for 38 Shares or 38% interests in our Company; (ii) Mr. Leung transferred his legal interests in one share or 0.01% interests in Sundart Timber to Mr. Ng Anthony (who held such one share or 0.01% interests in Sundart Timber on trust for our Company); (iii) Mr. Leung transferred his beneficial interests in 17,673,800 shares or 38% interests in Sundart Timber to our Company; (iv) Mr. Ng Tak Kwan transferred 930,200 shares or 2% interests in Sundart Timber to our Company in exchange for two Shares or 2% interests in our Company; and (v) Mr. Leung transferred 18 shares or 18% interests in our Company to Mr. Ng Tak Kwan at a consideration of US\$1,676,977, which was determined after arm’s length negotiation between Mr. Leung and Mr. Ng Tak Kwan with reference to the net asset value of our Company and its then subsidiaries as shown in its then latest available unaudited consolidated accounts. As a result, our Company became the holding company of Sundart Timber and beneficially owns 100% interests therein; our Company became beneficially owned as to 55%, 20%, 20% and 5% by Octopus, Mr. Leung, Mr. Ng Tak Kwan and Mr. Wong, respectively.
- (2) In 2006, Mr. Leung, Octopus, Mr. Ng Tak Kwan and Mr. Wong entered into a share exchange deed (the “**2006 Share Exchange Deed**”), pursuant to which Mr. Leung transferred 13% interests, 5% interests and 2% interests in our Company (then participated in the fitting-out business through its then subsidiaries) to Octopus, Mr. Ng Tak Kwan and Mr. Wong, respectively; in consideration of the transfer of such interests in our Company, Octopus and Mr. Ng Tak Kwan transferred 55% interests and 20% interests in Sundart Living (then participated in the timber products manufacturing business through Dongguan Sundart) to Sundart Products Group Limited (a company wholly and beneficially owned by Mr. Leung) (“**SPG**”), and Mr. Wong transferred 5% interests in Sundart Living to Mr. Leung. Such consideration was determined after arm’s length negotiation between the parties with reference to, *inter alia*, the financial performance of our Company and Sundart Living. The 2006 Share Exchange Deed was completed on 15 July 2006. As a result, our Company was beneficially owned as to 68%, 25% and 7% by Octopus, Mr. Ng Tak Kwan and Mr. Wong, respectively. For details of SPG, please see “— Key former shareholders of members of our Group”.

HISTORY, DEVELOPMENT AND REORGANISATION

On 20 March 2008, Golden Tiger acquired 68% interest in our Company from Octopus at a consideration of HK\$197.2 million, which was determined after arm's length negotiation between the parties based on the then expected net asset value of our Company and its then subsidiaries as at 31 March 2009 of HK\$290.0 million. The consideration was fully settled by Golden Tiger in March 2008. Golden Tiger was beneficially owned as to 50% by Tiger Crown Limited, a company wholly and beneficially owned by Mr. Chan ("**Tiger Crown**") and 50% by Scenemay Holdings Limited, a company beneficially owned by Ms. Li and Mr. Li in equal shares ("**Scenemay Holdings**", together with Mr. Chan, Ms. Li, Mr. Li, Golden Tiger and Tiger Crown, the "**Former Controlling Shareholders**"). For details of the Former Controlling Shareholders, please see "— Key Former Shareholders of Members of Our Group". Upon completion of such share transfer, our Company was beneficially owned as to 68%, 25% and 7% by Golden Tiger, Mr. Ng Tak Kwan and Mr. Wong, respectively.

The shareholding of our Company has undergone the following changes as part of reorganisation in preparation for the listing of Rykadan Capital ("**2009 Reorganisation**"):

- (i) On 1 April 2009, Golden Tiger transferred 520 shares or 10.2% interests in our Company, to Mr. Leung at a consideration of approximately HK\$26.9 million, which was determined after arm's length negotiation between the relevant parties based on and represented by approximately 10.2% of the net asset value per share of our Company as at 31 March 2009 as shown in its audited balance sheet.
- (ii) On 31 July 2009, Golden Tiger transferred 1,474 shares or 28.9% interests and 1,474 shares or 28.9% interests in our Company to each of Tiger Crown and Scenemay Holdings at the total consideration of approximately HK\$152.3 million, which was determined after arm's length negotiation between the relevant parties with reference to the audited net asset value of our Company as at 31 March 2009.
- (iii) On 3 August 2009, Tiger Crown, Scenemay Holdings, Mr. Ng Tak Kwan, Mr. Leung and Mr. Wong respectively in consideration of Tiger Crown, Scenemay Holdings, Mr. Ng Tak Kwan, Mr. Leung and Mr. Wong transferred all their respective interests in our Company to Rykadan Capital, in exchange for the shares allotted by Rykadan Capital.

Upon completion of the 2009 Reorganisation, our Company was wholly and beneficially owned by Rykadan Capital, which was in turn beneficially owned as to 28.9%, 28.9%, 10.2%, 25% and 7% by Tiger Crown, Scenemay Holdings, Mr. Leung, Mr. Ng Tak Kwan and Mr. Wong, respectively.

On 21 August 2009, the shares of Rykadan Capital (formerly known as Sundart International Holdings Limited) were listed on the Main Board of the Stock Exchange. Upon the listing of Rykadan Capital up to the completion of the First Jangho Acquisition (as defined below), our Company had been wholly and beneficially owned by Rykadan Capital. Immediately prior to the completion of the First Jangho Acquisition, Rykadan Capital was beneficially owned as to 40.7% by Tiger Crown and Scenemay Holdings (which were acting in concert), 7.2% by Mr. Leung, 17.6% by Ng Tak Kwan, 4.3% by Mr. Wong and 30.3% by public shareholders. For details of Rykadan Capital, please see "— Key former shareholders of members of our Group".

HISTORY, DEVELOPMENT AND REORGANISATION

On 26 June 2012, Jangho HK acquired 85% interests in our Company from Rykadan Capital at the consideration of HK\$493.0 million (the “**First Jangho Acquisition**”), which was determined after arm’s length negotiations between the parties with reference to the net assets value of our Company and its then subsidiaries as at 31 January 2012 (being approximately HK\$400.5 million on an unaudited and consolidated basis) and the market capitalisation of the Rykadan Capital at the time of negotiation. The consideration was fully settled by Jangho HK by 26 June 2012. Upon completion of the First Jangho Acquisition, Jangho HK became our Controlling Shareholder.

On 2 December 2014, Jangho HK further acquired the remaining 15% interests in our Company from Rykadan Capital, at the consideration of HK\$180.0 million (the “**Second Jangho Acquisition**”, together with the First Jangho Acquisition, the “**Jangho Acquisitions**”), which was determined with reference to the unaudited carrying amount of the 15% interests in our Company as at 30 September 2014 (being approximately HK\$107.8 million as disclosed in Rykadan Capital’s announcement) plus a premium given by Jangho HK. To secure the payment of the consideration payable by Jangho HK under the Second Jangho Acquisition, Jangho HK pledged 14.25% interests in our Company to Rykadan Capital (the “**Pledge**”). The consideration was fully settled by Jangho HK by 19 June 2015 and the Pledge was released on the same day.

The Jangho Acquisitions have been duly and legally completed and comply in all materials respects in accordance with the applicable laws.

Upon completion of the Second Jangho Acquisition and prior to the Reorganisation, our Company had been wholly owned by Jangho HK.

OUR PRINCIPAL SUBSIDIARIES

During the Track Record Period, we had conducted our businesses through our operating subsidiaries incorporated in Hong Kong, Macau and the PRC. We also established investment holding companies for holding interests in our operating subsidiaries. As at the Latest Practicable Date, we had 16 subsidiaries, including nine subsidiaries (namely Sundart Timber, Kin Shing, Elite Base and Sundart Macau, Dongguan Sundart, Sundart Living, Sundart Products, Sundart Investments and Glory Spring) which were material to our financial performance and operating status during the Track Record Period, having regard to, amongst other things, their respective contribution to our consolidated financial results during the Track Record Period, prospects for future development and roles in our operation, as well as their importance in our corporate structure.

Sundart Timber

On 10 January 1995, Sundart Timber was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$2, divided into two shares beneficially owned by Mr. Nip Yun Wing and Mr. Lee Yuk Ling in equal shares. On 24 January 1995, Mr. Nip Yun Wing and Mr. Lee Yuk Ling transferred their respective one share to Sundart Engineering and Pacific Asia Construction Material Limited (“**Pacific Asia**”) at par value, respectively. Upon completion of such transfer, Sundart Timber was beneficially owned as to 50% and 50% by Sundart Engineering and Pacific Asia, respectively. As at the Latest Practicable Date, each of Mr. Nip Yun Wing, Mr. Lee Yuk Ling and Pacific Asia was an Independent Third Party.

HISTORY, DEVELOPMENT AND REORGANISATION

Between April 1995 to July 1999, Sundart Timber had undergone several shareholding changes, with a view to attract investors to invest in our Group and thereby obtaining funds for our development, which include: (i) on 18 April 1995, Sundart Timber allotted and issued 5,999 shares and 3,999 shares to Sundart Engineering and Pacific Asia at par value, respectively. Upon completion of such allotment, Sundart Timber was beneficially owned as to 60% and 40% by Sundart Engineering and Pacific Asia, respectively; (ii) on 20 November 1995, Sundart Engineering transferred 1,000 shares in Sundart Timber to Pacific Asia at par value. Upon completion of this share transfer, Sundart Timber was beneficially owned as to 50% and 50% by Sundart Engineering and Pacific Asia, respectively; (iii) on 4 October 1996, Sundart Engineering transferred 5,000 shares in Sundart Timber to Mr. Leung at par value. Upon completion of such transfer, Sundart Timber was beneficially owned as to 50% and 50% by Mr. Leung and Pacific Asia, respectively; (iv) on 8 October 1996, Mr. Leung transferred 2,500 shares in Sundart Timber to Pacific Asia, at the consideration of HK\$2,375,000. Upon completion of such transfer, Sundart Timber was beneficially owned as to 25% and 75% by Mr. Leung and Pacific Asia, respectively; (v) on 30 October 1998, Pacific Asia transferred 4,900 shares in Sundart Timber to Easymass Limited (“Easymass”), an Independent Third Party, at the consideration of HK\$10,780,000. Upon completion of such transfer, Sundart Timber was beneficially owned as to 25%, 26% and 49% by Mr. Leung, Pacific Asia and Easymass, respectively; and (vi) on 15 July 1999, Pacific Asia and Easymass transferred 2,600 shares and 4,900 shares in Sundart Timber, respectively, to Golden Blossom, an Independent Third Party, at the consideration of HK\$2,761,141 and HK\$5,215,000, respectively; on the same day, Golden Blossom further transferred 200 shares and 800 shares in Sundart Timber to Mr. Ng Tak Kwan and Mr. Leung, respectively, at the consideration of HK\$212,857 and HK\$851,428, respectively. The consideration of each of the transfers dated 8 October 1996, 30 October 1998 and 15 July 1999 was determined with reference to, inter alia, the then market value and financial performance of Sundart Timber. On the same day, Sundart Timber allotted and issued 15,345,000 shares, 930,000 shares and 30,225,000 shares to Mr. Leung, Mr. Ng Tak Kwan and Golden Blossom, respectively, at par value. Upon completion of such transfers and allotments, Sundart Timber was beneficially owned as to 33%, 2% and 65% by Mr. Leung, Mr. Ng Tak Kwan and Golden Blossom, respectively.

On 15 October 2001, our Company acquired 27,906,000 shares or 60% interests in Sundart Timber from Golden Blossom at the consideration of HK\$34,800,000. Such consideration was determined after arm’s length negotiation between the relevant parties with reference to the net asset value of Sundart Timber and its then subsidiaries as shown in its then latest available unaudited consolidated accounts. As a result of such transfer, Sundart Timber was beneficially owned as to 60%, 33%, 2% and 5% by our Company, Mr. Leung, Mr. Ng Tak Kwan and Golden Blossom, respectively.

On 17 October 2001, Mr. Leung acquired 2,325,500 shares or 5% interests in Sundart Timber then beneficially owned by Golden Blossom at the consideration of HK\$3,190,000, which was determined after arm’s length negotiation between the relevant parties on similar basis as the acquisition of 60% shareholding interest in Sundart Timber by our Company on 15 October 2001, which was fully settled in October 2001. Upon completion of such transfer, Sundart Timber was beneficially owned as to 60%, 38% and 2% by our Company, Mr. Leung and Mr. Ng Tak Kwan, respectively.

On 1 August 2003, pursuant to the 2003 Share Swap, Mr. Leung transferred 17,673,799 shares or 37.99% interests and one share or 0.01% interests in Sundart Timber to our Company and Mr. Ng Anthony (who held such interests on trust for our Company), respectively; Mr. Ng Tak Kwan transferred 930,200 shares or 2% interests in Sundart Timber to our Company in exchange for the interests in our Company. Upon completion of the share swap, Sundart Timber was wholly and beneficially owned by our Company. For details of Mr. Ng Anthony, please see “— Key Former Shareholders of Members of Our Group”.

HISTORY, DEVELOPMENT AND REORGANISATION

On 6 June 2005, our Company transferred 46,509,999 shares or 99.99% interests in Sundart Timber to Sundart Investments at par value. On 6 June 2005, Mr. Ng Anthony, as the trustee and Sundart Investments, as the beneficiary, entered into a declaration of trust, pursuant to which Mr. Ng Anthony declared, amongst others, that he held one share in Sundart Timber on trust for Sundart Investments. On 20 March 2008, Mr. Ng Anthony transferred the legal title in the one share he held on trust for Sundart Timber to Sundart Investments for nil consideration. Upon completion of such transfers and up to the Latest Practicable Date, Sundart Timber became a wholly owned subsidiary of Sundart Investments.

During the Track Record Period and up to the Latest Practicable Date, the principal activities of Sundart Timber was investment holding and the provision of interior fitting-out works in Hong Kong.

Kin Shing

On 21 July 1994, Kin Shing was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$3, divided into three shares beneficially owned by Mr. Leung Fai, Mr. Leung Hon Sing Allan and Mr. Leung Kwong Yuen in equal shares. Since its incorporation and up to the Kin Shing Acquisition (as defined below), Kin Shing has undergone several changes to its shareholding structure as a result of its allotment of shares to Mr. Leung Fai, Mr. Leung Hon Sing Allan and Mr. Leung Kwong Yuen. Immediately prior to the Kin Shing Acquisition, Kin Shing had a total issued share capital of HK\$10,200,000, divided into 10,200,000 shares and was beneficially owned as to 80%, 10% and 10% by Mr. Leung Fai, Mr. Leung Hon Sing Allan and Mr. Leung Kwong Yuen, respectively. As at the Latest Practicable Date, Mr. Leung Hon Sing Allan is a director of Kin Shing, son of Mr. Leung Fai and brother of Mr. Leung Kwong Yuen.

On 15 October 2010, Glory Spring acquired 10,200,000 shares or 100% interests in Kin Shing (the “**Kin Shing Acquisition**”) at the total consideration of HK\$28,200,000, determined after arm’s length negotiation among the parties thereto with reference among other things, to bank balances and the value of intangible assets as at the time of the transaction which was fully settled by Glory Spring in October 2010. Upon completion of the Kin Shing Acquisition and up to the Latest Practicable Date, Kin Shing was a wholly owned subsidiary of Glory Spring.

On 15 February 2011, 30 March 2011 and 28 November 2011, Kin Shing allotted and issued 2,400,000 shares, 3,400,000 shares and 1,800,000 shares to Glory Spring, respectively, at par value to finance its operation. As a result of such allotments, the total issued share capital of Kin Shing was increased to HK\$17,800,000, divided into 17,800,000 shares which are wholly and beneficially owned by Glory Spring.

During the Track Record Period, Kin Shing had become a registered specialist contractor in the categories of foundation works and site formation works and a registered general building contractor with the Buildings Department and was also on the list of approved contractors of the Development Bureau for public works in the category of buildings (Group C on probation).

Elite Base

On 10 June 2011, Elite Base was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$1, divided into one share beneficially owned by Sundart Investments.

Since its incorporation and up to the Latest Practicable Date, Elite Base was a wholly owned subsidiary of Sundart Investments.

HISTORY, DEVELOPMENT AND REORGANISATION

During the Track Record Period and up to the Latest Practicable Date, Elite Base principally engaged in the interior fitting-out works in Hong Kong.

Sundart Macau

On 18 March 2005, Sundart Macau was incorporated in Macau as a limited liability company. Upon its incorporation, Sundart Macau allotted and issued one share and one share to Sundart Timber and our Company, respectively, at the consideration of MOP90,000 and MOP10,000, respectively.

Since its incorporation and up to the Latest Practicable Date, Sundart Macau was beneficially owned as to 90% and 10% by Sundart Timber and our Company, respectively.

During the Track Record Period and up to the Latest Practicable Date, Sundart Macau principally engaged in the interior fitting-out works in Macau.

Dongguan Sundart

On 23 September 1992, Dongguan Sundart was established in the PRC as a limited liability with a registered capital of HK\$18,000,000, which was fully paid up by 13 May 1994. At the time of its establishment, Dongguan Sundart was wholly and beneficially owned by Sundart Engineering. On 24 March 1995, Sundart Timber acquired 100% interests in Dongguan Sundart at the consideration of HK\$36,000,000, which was determined after arm's length negotiations between the parties with reference to, inter alia, the development potential and the then assets value of Dongguan Sundart. Such consideration was fully settled by Sundart Timber in March 1995. On 15 December 1995, the registered capital of Dongguan Sundart was increased to HK\$21,500,000, the increased proportion of which, being HK\$3,500,000, was fully contributed by Sundart Timber by 10 August 2000 (the "**1995 Dongguan Sundart Capital Increase**").

On 24 June 2002, Sundart Living acquired 100% equity interests in Dongguan Sundart from Sundart Timber, at the consideration of HK\$21,500,000, which was determined after arm's length negotiations between the parties with reference to the then registered capital of Dongguan Sundart, and was duly settled. On 1 February 2004, Sundart Living further resolved to increase the registered capital of Dongguan Sundart by HK\$15,000,000 to HK\$36,500,000 (the "**2004 Dongguan Sundart Capital Increase**"). On 8 June 2006, Sundart Living reduced the registered capital of Dongguan Sundart by HK\$15,000,000 with intention to allocate our overseas business into a new PRC company. We did not proceed with such plan later due to change of market conditions.

To further finance our business expansion in the PRC, Sundart Living increased the registered capital of Dongguan Sundart by HK\$3,000,000 and HK\$16,500,000 on 21 December 2006 and 29 April 2009, respectively, and the amounts were fully paid by Sundart Living by 9 May 2007 and 30 November 2010, respectively. As a result, the registered capital of Dongguan Sundart was increased to HK\$41,000,000.

During the Track Record Period and up to the Latest Practicable Date, Dongguan Sundart was principally engaged in the business of manufacturing and distribution of interior decorative materials in the PRC.

HISTORY, DEVELOPMENT AND REORGANISATION

Sundart Living

On 11 August 1994, Sundart Living was incorporated in Hong Kong as a limited liability company. Sundart Living had been beneficially owned by Independent Third Parties up to 29 May 1995, when Sundart Timber acquired 50% interests in Sundart Living at par value from one of the then shareholders of Sundart Living (being an Independent Third Party).

On 29 October 2003, Sundart Timber and the other then shareholder (being an Independent Third Party) of Sundart Living transferred 50% interests and 50% interests in Sundart Living to our Company and Mr. Ng Anthony (who held such interests on trust for our Company) at par value, respectively. On 24 March 2005, Sundart Living further allotted and issued 98 shares to our Company at par value. As a result of such allotment, Sundart Living was wholly and beneficially owned by our Company. On 30 March 2005, our Company disposed all interests it held in Sundart Living by transferring 55 shares or 55% interests, 20 shares or 20% interests (including transferring the beneficial interests in one share or 1% originally held by Mr. Ng Anthony on trust for our Company to Mr. Ng Anthony), 20 shares or 20% interests and five shares or 5% interests in Sundart Living to Mr. Ng Anthony, Mr. Leung, Mr. Ng Tak Kwan and Mr. Wong, respectively, at the consideration of HK\$55,000, HK\$19,000, HK\$20,000 and HK\$5,000, respectively, which was determined after arm's length negotiations between the parties after considering that Sundart Living was in a net liability position at that time. On 12 July 2006, Mr. Ng Anthony further transferred 55 shares or 55% interests in Sundart Living to Octopus at par value. Upon completion of this transfer, Sundart Living was beneficially owned as to 55%, 20%, 20% and 5% by Octopus, Mr. Leung, Mr. Ng Tak Kwan and Mr. Wong, respectively.

On 15 July 2006, pursuant to the 2006 Share Exchange, Octopus and Mr. Ng Tak Kwan transferred 55 shares or 55% interests and 20 shares or 20% interests in Sundart Living to SPG; Mr. Wong transferred five shares or 5% interests in Sundart Living to Mr. Leung. As a result, Sundart Living was held as to 75% and 25% by SPG and Mr. Leung, respectively.

On 4 October 2010, Sundart Products acquired 75 shares or 75% interests and 25 shares or 25% interests in Sundart Living from SPG and Mr. Leung, respectively, at the total consideration of HK\$43,665,854, which was determined after arm's length negotiation between the relevant parties with reference to the adjusted net asset value of Sundart Living as at 30 June 2010 (which was adjusted based on the net asset value of Sundart Living as at 30 September 2010 according to the terms of the relevant sale and purchase agreement), and representing a premium of approximately 2.8% over the said adjusted net asset value. Such consideration has been fully settled by Sundart Living in October 2010. Upon completion of such acquisition, Sundart Living became a wholly owned subsidiary of Sundart Products.

During the Track Record Period and up to the Latest Practicable Date, Sundart Living was an investment holding company.

Sundart Investments

On 7 April 2005, Sundart Investments was incorporated in Hong Kong as a limited liability company with an issued share capital of HK\$1,000, divided into 1,000 shares beneficially owned by our Company. Since the date of its incorporation and up to the Latest Practicable Date, Sundart Investments has been wholly owned and beneficially owned by our Company.

During the Track Record Period and up to the Latest Practicable Date, Sundart Investments was an investment holding company.

HISTORY, DEVELOPMENT AND REORGANISATION

Glory Spring

On 28 May 2010, Glory Spring was incorporated in the BVI as a limited liability company with an issued share capital US\$1, divided into one share beneficially owned by our Company. Since the date of its incorporation and up to the Latest Practicable Date, Glory Spring has been wholly owned and beneficially owned by our Company.

During the Track Record Period and up to the Latest Practicable Date, Glory Spring was an investment holding company

Sundart Products

On 11 November 2008, Sundart Products was incorporated in the BVI as a limited liability company with an issued share capital US\$1, divided into one share beneficially owned by our Company. Since the date of its incorporation and up to the Latest Practicable Date, Sundart Products has been wholly owned and beneficially owned by our Company.

During the Track Record Period and up to the Latest Practicable Date, Sundart Products was an investment holding company.

KEY FORMER SHAREHOLDERS OF MEMBERS OF OUR GROUP

Mr. Ng Anthony and Octopus

To the best knowledge of our Directors after reasonable enquiry, Mr. Ng Anthony had been a business man with his personal investments during the period when he had been interested in our Group. Since 15 October 2001 and up to 20 March 2008, he had been a director of Sundart Timber.

Octopus was an investment holding company incorporated in the BVI with limited liability on 4 December 2000 (and was struck off from the Register of International Business Companies in the BVI on 1 May 2009). To the best knowledge of our Directors after reasonable enquiry, Octopus had been wholly and ultimately owned by Mr. Ng Anthony and his family member(s) when Octopus had been interested in our Group.

To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, each of Mr. Ng Anthony and Octopus was an Independent Third Party.

Former Controlling Shareholders

To the best knowledge of our Directors after reasonable enquiry, during the period when they had been interested in our Group, each of Mr. Chan, Ms. Li and Mr. Li had been business man/business woman. Ms. Li is the sister of Mr. Li.

Golden Tiger is an investment holding company incorporated in the BVI with limited liability on 21 January 2008. To the best knowledge of our Directors after reasonable enquiry, Golden Tiger had been beneficially owned by Tiger Crown and Scenemay Holdings in equal shares when Golden Tiger had been interested in our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Tiger Crown is an investment holding company incorporated in the BVI with limited liability on 2 March 2004. To the best knowledge of our Directors after reasonable enquiry, Tiger Crown had been wholly and beneficially owned by Mr. Chan when Tiger Crown had been interested in our Group.

Scenemay Holdings is an investment holding company incorporated in the BVI with limited liability on 18 December 2007. To the best knowledge of our Directors after reasonable enquiry, Tiger Crown had been beneficially owned by Mr. Li and Ms. Li in equal shares, when Scenemay Holdings had been interested in our Group.

On 31 July 2009, Golden Tiger transferred all the interests it held in our Company to Tiger Crown and Scenemay Holdings and ceased to be interested in our Group. The Former Shareholders (other than Golden Tiger which ceased to be interested in our Group) were regarded as a group of controlling shareholders acting in concert to exercise their voting right in Rykadan Capital, during the period when Rykadan Capital was the shareholder of our Company.

To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, each of the Former Controlling Shareholders was an Independent Third Party.

Rykadan Capital

Rykadan Capital (formerly known as Sundart International Holdings Limited) is a company incorporated in the Cayman Islands with limited liability on 27 April 2009. Since 21 August 2009, the shares of Rykadan Capital have been listed on the Main Board of the Stock Exchange (stock code: 2288). Rykadan Capital had been the holding company holding our Company and the then subsidiaries of our Group through our Company, prior to the completion of the First Jangho Acquisition.

To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, Rykadan Capital engaged in the operation and investment of real estate development, real estate investment and distribution of building materials.

To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, Rykadan Capital was an Independent Third Party.

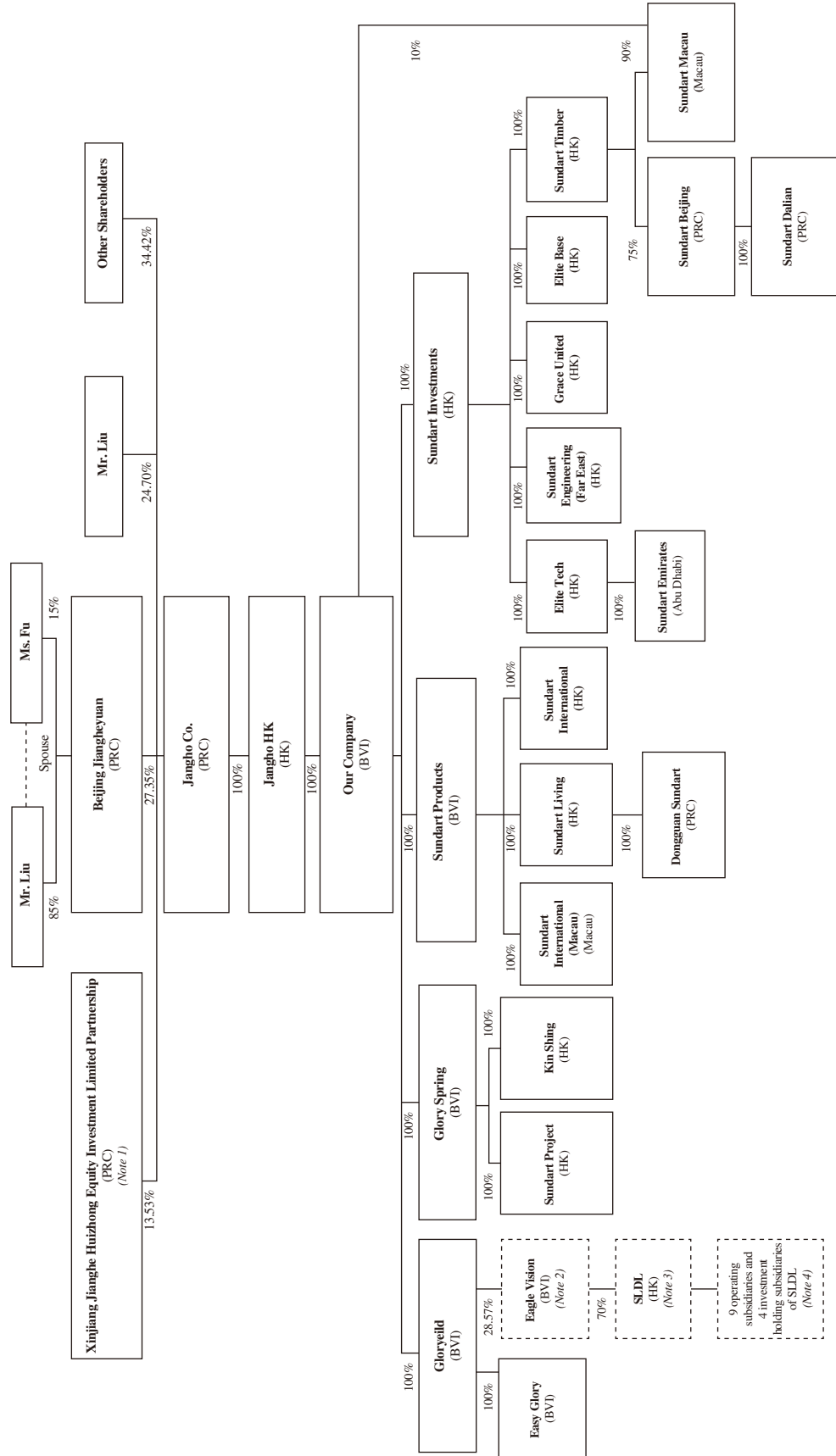
SPG

SPG (formerly known as Wenwick Group Limited) was an investment holding company incorporated in the BVI with limited liability on 8 May 2006. SPG had been wholly and beneficially owned by Mr. Leung when SPG had been interested in our Group.

To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, SPG was not engaged in any business activities.

OUR REORGANISATION

The diagram below sets forth our shareholding and corporate structure immediately before the Reorganisation (the companies shown in dotted lines below are the associate company of our Company and its subsidiaries):



HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

- (1) Xinjiang Jianghe Huizhong Equity Investment Limited Partnership (新疆江河匯眾股權投資有限合夥企業) (“**Xinjiang Jianghe Huizhong**”) is a limited partnership established in the PRC on 23 January 2007, with a view to hold the shares in Jangho Co. for certain senior staffs of Jangho Group. As at the Latest Practicable Date, Xinjiang Jianghe Huizhong had four general partners and 24 limited partners; amongst such 28 partners, 26 partners were Independent Third Parties, and the following partners were connected persons of our Company:
 - (i) Mr. Xu Xingli, being a director of each of Easy Glory, Glory Spring, Grace United, Sundart International, Sundart International (Macau), Sundart Living, Sundart Products, Sundart Timber and Dongguan Sundart and a former director of our Company resigned on 23 July 2015. Mr. Xu Xingli is a general partner who subscribed RMB891,334 of the contribution amount, standing for approximately 29.12% of total interests therein; and
 - (ii) Mr. Wang Qifeng, a director of each of Elite Base, Glory Spring, Grace United, Kin Shing, Sundart Investments, Sundart International, Sundart International (Macau), Sundart Living, Sundart Products, Sundart Timber and Dongguan Sundart and a former director of our Company resigned on 23 July 2015. Mr. Wang Qifeng is a limited partner who subscribed RMB9,332 of the contribution amount in Xinjiang Jianghe Huizhong, standing for approximately 0.3% of total interests therein.
- (2) Eagle Vision is company incorporated in the BVI on 2 January 2014. As at the Latest Practicable Date, Eagle Vision was beneficially owned as to 28.57% by Gloryeild, 28.57% by Health Capital Enterprises Limited, a wholly owned subsidiary of Gangyuan Architectural Decoration Hongkong Limited (a wholly owned subsidiary of Beijing Gangyuan, which is in turn ultimately held as to 95% by Jangho Co. and 5% by an Independent Third Party) and 42.86% by Peacemark Enterprises Limited (a wholly-owned subsidiary of Jangho HK).
- (3) SLDL is a company incorporated in Hong Kong on 25 June 1997. As at the Latest Practicable Date, SLDL was beneficially owned as to 70% by Eagle Vision and 30% by Mr. Steve Leung, an Independent Third Party.
- (4) As at the Latest Practicable Date, SLDL had 13 subsidiaries (including nine operating subsidiaries and four investment holding subsidiaries). As at the Latest Practicable Date, the SLDL Group was principally engaged in the business of the provision of high-end interior design services in Hong Kong and the PRC; the members of SLDL Group also participated in the business of trading and online sales of home accessories and ornaments.

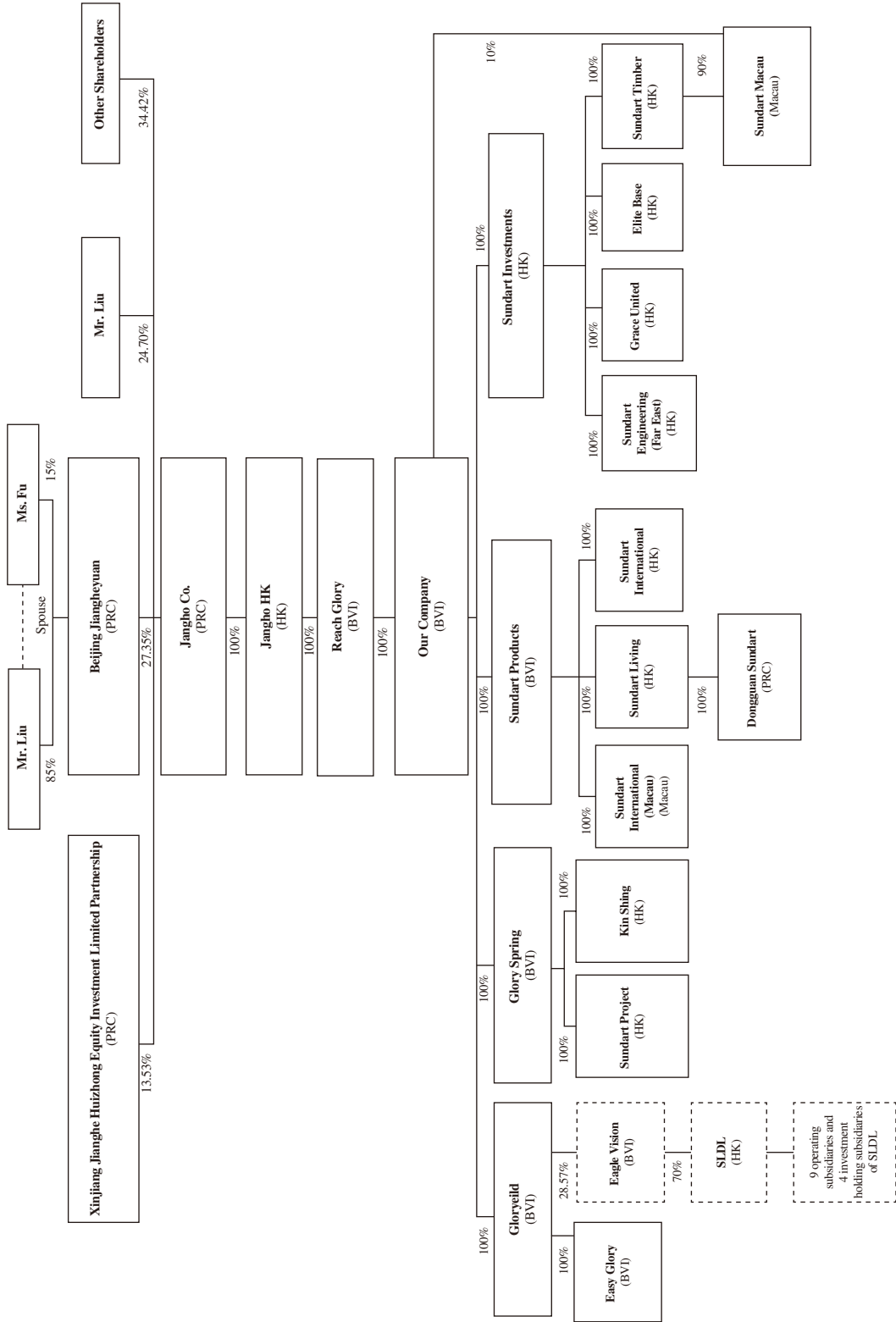
HISTORY, DEVELOPMENT AND REORGANISATION

The companies comprising our Group underwent a reorganisation to rationalise our corporate structure in preparation for the Listing. The Reorganisation involved the following steps:

1. On 24 April 2015, Sundart Timber disposed 50% interests it held in Sundart Beijing to Jangho HK at the consideration of approximately HK\$91.4 million. On 25 June 2015, Sundart Timber further disposed 25% interests it held in Sundart Beijing to Jangho HK at the consideration of approximately HK\$45.7 million. For details of Sundart Beijing Disposal, please see “— Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Disposal of Sundart Beijing”.
2. On 29 June 2015, our Company disposed the entire interests in Elite Tech to Jangho HK at the consideration of HK\$1. For details of Elite Tech Disposal, please see “— Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Disposal of Elite Tech”.
3. On 29 July 2015, Reach Glory entered into a share swap agreement (the “**Reorganisation Share Swap Agreement**”) with Jangho HK, pursuant to which Reach Glory acquired 100% interests in our Company from Jangho HK, the consideration of which was satisfied by the allotment and issue of 99 shares in Reach Glory to Jangho HK. The transactions under such share swap agreement were completed on 29 July 2015. As a result, our Company became wholly and beneficially owned by Reach Glory.

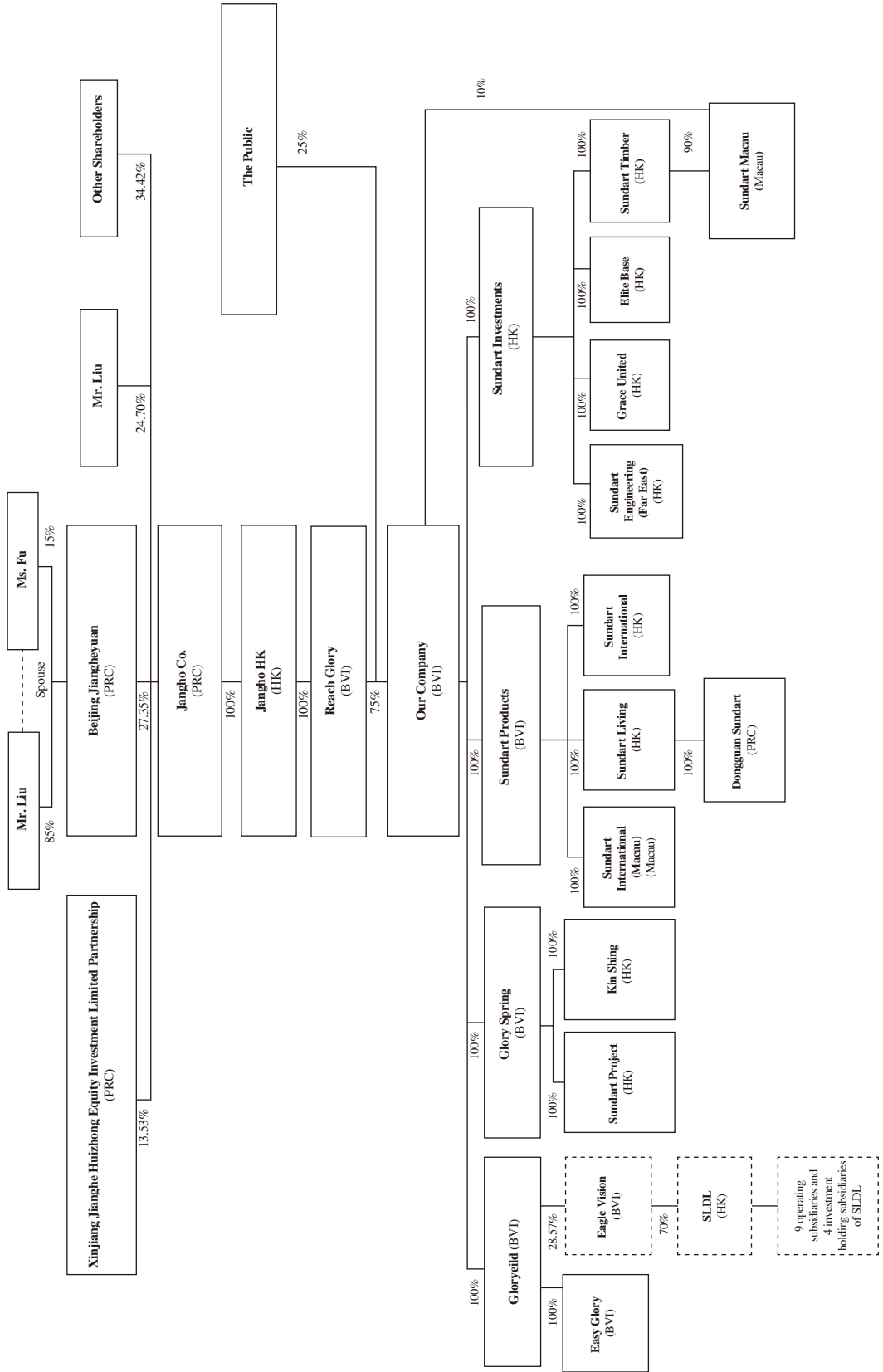
HISTORY, DEVELOPMENT AND REORGANISATION

The diagram below sets forth our shareholding and corporate structure after completion of the Reorganisation and immediately prior to the completion of the Global Offering (the companies shown in dotted lines below are the associate company of our Company and its subsidiaries):



HISTORY, DEVELOPMENT AND REORGANISATION

The diagram below sets forth our shareholding and corporate structure immediately following the completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option and any options that may be granted under the Share Option Scheme have not been exercised) (the companies shown in dotted lines below are the associate companies of our Company and its subsidiaries):



HISTORY, DEVELOPMENT AND REORGANISATION

APPROVALS AND CONFIRMATION FROM THE SHAREHOLDERS OF JANGHO CO. AND THE PRC AUTHORITIES

Pursuant to Circular 67, the listing of our Company constitutes a spin-off of certain assets and businesses held by our Group by Jangho Co.

Pursuant to Circular 67 and the Notice of Further Reinforcing the Administration of Overseas Stock Offering and Listing (Guo Fa [1997] 21) (關於進一步加強在境外發行股票和上市管理的通知(國發[1997] 21號)) issued by the State Council on 20 June 1997, the offshore listing of the subsidiaries controlled by the domestic listed companies shall comply with the specific conditions required therein and obtain necessary approval and no-objection confirmation from competent people's government at provincial level and CSRC, respectively. Our Company obtained (1) the approval by the shareholders of Jangho Co. at an extraordinary shareholders' meeting on 19 May 2015; (2) the approval by Beijing People's Government on 13 July 2015; and (3) the non-objection confirmation by CSRC on 23 July 2015.

Our PRC legal advisers further confirmed that all necessary approvals, consent authorisation or confirmation from the relevant PRC authorities or shareholders of Jangho Co. have been obtained with respect to the Global Offering and the Listing.

REGISTRATION WITH SAFE

On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**Circular 75**”), according to which, a PRC resident who establishes or takes control of a special purpose company abroad to effect foreign exchange registration with local foreign exchange bureau. While injecting assets or equity interests that a PRC resident owns in a PRC enterprise into a special purpose company abroad (the “**SPV**”), or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. Circular 75 has been repealed by the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular 37**”) on 4 July 2014. Pursuant to the Circular 37, which was promulgated by the SAFE and became effective on 4 July 2014, a PRC citizen residing in the PRC (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes assets or equity interests in an overseas special purpose vehicle, which is directly established or controlled by the PRC Resident for the purpose of overseas investment or financing.

On 13 July 2009, SAFE promulgated Provisions on Foreign Exchange Administration for Overseas Direct Investment of Domestic Institutions (Hui Fa [2009] 30) (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知(匯發[2009]30號)) (the “**Circular 30**”), which requires, inter alia, any material change in equity investments by an overseas enterprise established, acquired or controlled by domestic institution with approval by competent authority of offshore direct investments should be registered with SAFE (the “**Change in Offshore Reinvestment**”). On 13 February 2015, SAFE further promulgated Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (Hui Fa

HISTORY, DEVELOPMENT AND REORGANISATION

[2015]13) (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13)) (the “**Circular 13**”) with effect from 1 June 2015. According to Circular 13, SAFE registration requirement in respect of Offshore Reinvestment has been repealed.

As advised by our PRC legal advisers, Jangho Co. had duly completed the SAFE registration in relation to the incorporation of Jangho HK. Our PRC legal advisers further advised us that as the transactions contemplated under the Reorganisation Share Swap Agreement constitute Change in Offshore Reinvestment and no SAFE registration is required in relation to the Reorganisation.

PRC COMPLIANCE

Our PRC legal advisers have confirmed that the Reorganisation have been duly and legally completed and comply in all material respects with the applicable PRC laws and regulations. Following the Reorganisation, our Company holds the interests in its indirect PRC subsidiaries, which is in compliance with the relevant laws and regulations of the PRC, and thus is legitimate and valid.

BUSINESS

OVERVIEW

We are one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau in 2005. In 2014, in terms of revenue, we were the largest fitting-out contractor in Hong Kong and Macau with approximately 6.1% of Hong Kong market share and 15.5% of Macau market share, respectively, according to Ipsos Report. In addition, we acquired Kin Shing, a general building contractor in October 2010 to expand our capability as a general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories, and commercial projects. Further, we manufacture interior decorative timber products such as fire-rated timber doors and wooden furniture, through Dongguan Sundart, the majority of which are used for our projects.

We have undertaken a number of sizeable fitting-out projects in Hong Kong and Macau. As a fitting-out contractor, we are responsible for the overall project implementation by providing, processing or arranging for the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out corresponding project management so as to ensure that the fitting-out works conform to the contractual requirements, meet customers' expectation and are completed on time and within budget.

Unlike certain fitting-out contractors that do not directly employ any worker but outsource all labour intensive works to their subcontractors, we have our own workers for our fitting-out works so as to better control the quality and schedule of our works. Generally, depending on the nature of the fitting-out works, we employ our own workers to handle the more complicated parts of the projects, such as joinery and marble works, and outsource certain labour intensive works, such as plastering and painting works, to subcontractors by entering into separate contracts with them. As at the Latest Practicable Date, we directly employed over 80 local site workers in Macau and 15 full-time site workers in Hong Kong. In addition, we have maintained long-standing relationships with over 300 skilled site workers in Hong Kong and Macau, whom are employed by us on project basis for our fitting-out projects in Hong Kong and Macau. Depending on the terms of the contracts with the subcontractors, we may be responsible for the provision of interior decorative materials for purposes of the fitting-out works, while in other cases, our subcontractors may be responsible for purchasing all such materials for purposes of the fitting-out projects. As at the Latest Practicable Date, we had over 200 subcontractors, of which above 100 have had five years or above working relationship with us.

Our fitting-out projects normally commence with the tender process. After contracts are awarded, we usually set up the detailed works programme, delegate part of the fitting-out works to subcontractors and coordinate among customers, main contractors, subcontractors and suppliers in completing the projects. In line with the prevailing market practice, our customers in Hong Kong do not pay any deposit after the contract execution and before the first progress payment, while our customers in Macau normally pay a deposit of not less than 10% of the contract sum upon the contract execution. Depending on the requirement of our customers, we may be required to provide performance bonds to secure our due and timely performance and/or advanced payment bonds where advanced payment is provided upon our customers' request. Progress payments are received from the customers periodically according to the stages of completion of the works done. In addition, our customers may hold up a retention money of up to 5% of the total contract sum, the first half of which is released upon the issue of certificate of practical completion of the project and the second half of which is released upon the issue of certificate of completion of making good defects after the expiry of the defect liability period ranging from one to two years.

BUSINESS

We have accumulated technical knowledge and developed a high degree of technical expertise through our almost 20 years' experience as a fitting-out contractor with a consistent focus on research and development. As at the Latest Practicable Date, we had a research and development center located in Dongguan, the PRC, consisting of six members, who primarily focus on technical innovations on utility-models to be applied in our projects and technical improvements on materials to meet our customers' requests.

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our revenue from both continuing operations and discontinued operations was HK\$2,080.0 million, HK\$2,486.5 million, HK\$3,449.0 million and HK\$3,039.2 million, respectively. The following table sets forth our revenue by business segments for the periods indicated.

	Year ended 31 December				Eight months ended 31 August					
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total
Continuing operations										
Fitting-out										
— Hotel and serviced apartment	519.5	25.0	322.7	13.0	1,292.5	37.5	388.5	21.7	1,743.3	57.4
— Residential property	496.4	23.9	561.0	22.6	673.5	19.5	374.0	20.9	472.3	15.5
— Others (including public buildings, commercial buildings and shopping malls)	243.1	11.6	6.2	0.2	17.6	0.5	15.7	0.8	91.9	3.0
Sub-total	1,259.0	60.5	889.9	35.8	1,983.6	57.5	778.2	43.4	2,307.5	75.9
Alteration and addition and construction	309.8	14.9	670.4	26.9	308.9	9.0	202.7	11.3	387.3	12.8
Manufacturing, sourcing and distribution of interior decorative materials	184.2	8.9	71.9	2.9	44.2	1.3	41.6	2.3	6.4	0.2
Continuing operations	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9
Discontinued operations⁽¹⁾	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1
Total	2,080.0	100.0	2,486.5	100.0	3,449.0	100.0	1,793.2	100.0	3,039.2	100.0

Note:

- (1) We disposed 50% and 25% of our equity interest in Sundart Beijing, which carries out fitting-out business in the PRC in April 2015 and June 2015, respectively. See "History, Development and Reorganisation". Therefore, our fitting-out business in the PRC carried out by Sundart Beijing has been reclassified as discontinued operations to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior years. The reclassification has no impact on our Group's overall results.

BUSINESS

We have primarily focused on providing fitting-out works in private sector in Hong Kong and Macau. In addition, we provided fitting-out works under two projects and are in the process of providing fitting-out works under three projects in Hong Kong as a fitting-out subcontractor in public sector during the Track Record Period and up to the Latest Practicable Date, among which, two were related to government buildings, two were related to a building for a statutory body and one was related to a combination of government buildings and MTR buildings without rail related function. Government buildings are exempted from the application of the Buildings Ordinance and no registration requirement is imposed on fitting-out subcontractors for them to obtain the fitting-out contract from the main contractor. For fitting-out works for the aforesaid statutory body, fitting-out subcontractors are not subject to specific statutory registration requirements to provide fitting-out works. For fitting-out works for MTR buildings without rail related function, fitting-out subcontractors can rely on the registration of the main contractor for their fitting-out works. There is no particular registration requirement for fitting-out subcontractors to undertake fitting-out works in public sector in Hong Kong, except for tendering for turn-key interior design and fitting-out works in public sector. None of our fitting-out works under those five projects belongs to turn-key interior design and fitting-out works in public sector in Hong Kong.

In addition, we generated revenue from alteration and addition and construction works in Hong Kong and from manufacturing, sourcing and distribution of interior decorative materials business for sales globally. Our discontinued operations carried out by Sundart Beijing (which ceased to be a member of our Group) had been focused on providing fitting-out works in the PRC. The following table sets forth our revenue by geographic locations for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total
Continuing operations										
Macau	232.5	11.2	120.4	4.8	1,246.9	36.2	326.9	18.3	1,651.5	54.4
Hong Kong	1,318.2	63.4	1,386.2	55.7	1,090.1	31.6	654.5	36.5	1,045.6	34.4
China	115.5	5.6	66.0	2.7	22.5	0.7	22.3	1.2	1.3	0.0
Others ⁽¹⁾	86.8	4.1	59.6	2.4	(22.8) ⁽²⁾	(0.7)	18.8	1.0	2.8	0.1
Subtotal	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9
Discontinued operations in China										
	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1
Total:	<u>2,080.0</u>	<u>100.0</u>	<u>2,486.5</u>	<u>100.0</u>	<u>3,449.0</u>	<u>100.0</u>	<u>1,793.2</u>	<u>100.0</u>	<u>3,039.2</u>	<u>100.0</u>

Notes:

- (1) Included our revenue from our fitting-out works for two hotel projects in Russia and revenue generated from manufacturing, sourcing and distribution of interior decorative materials to Qatar, Abu Dhabi, the United States, the United Kingdom, Philippines, Canada and Singapore. For details of our fitting-out works for two hotel projects in Russia, see “— Business Activities in Sanctioned Country”.
- (2) As compared with the revenue of HK\$59.6 million we generated from other countries for the year ended 31 December 2013, we recorded a revenue loss of HK\$22.8 million from other countries for the year ended 31 December 2014, primarily due to our reversal of revenue of HK\$44.2 million accrued in 2013 for our hotel fitting-out projects in Russia due to the discontinuation of such projects in November 2013.

BUSINESS

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our profit for continuing operations was HK\$107.2 million, HK\$126.5 million, HK\$175.4 million and HK\$263.0 million, respectively. We believe that our growth in revenue and gross profit is principally attributable to our success in achieving effective economies of scale in the overall business model, cost control system, maintaining high quality of services and having an experienced and dedicated management team. Leveraging on the diverse nature and number of fitting-out projects undertaken by us, our management and staff have accumulated years of experience in a wide variety of fitting-out works.

COMPETITIVE STRENGTHS

We believe that our competitive strengths as set out below have driven our growth in revenue and gross profit and distinguish us from our competitors:

Established reputation and proven track record

We started our fitting-out business in 1996 and since then we have accumulated almost 20 years' experience in the fitting-out industry in Hong Kong. We further expanded our fitting-out business to Macau in 2005. In 2014, in terms of revenue, we were the largest fitting-out contractor in Hong Kong and Macau with approximately 6.1% of Hong Kong market share and 15.5% of Macau market share, respectively, according to Ipsos Report. We have a good reputation in the fitting-out industry in Hong Kong and Macau with a proven track record and have the capability of delivering our jobs on time and to the satisfaction of our customers. We believe that our professional and quality services have been well recognised in the fitting-out industry. Although no industry specific qualification, license or permit is required to carry out fitting-out works in Hong Kong and Macau, we believe that our established reputation and proven track record of undertaking sizeable fitting-out projects would enable us to successfully compete with other fitting-out companies to take part in sizeable projects where pre-qualification on job reference, technicality and financial resources is usually required.

Long working relationships with major property developers and hotel owners in Hong Kong and Macau

We have been providing fitting-out works to major property developers in Hong Kong and reputable hotel owners in Hong Kong and Macau since commencement of our fitting-out business in 1996. During the Track Record Period and up to the Latest Practicable Date, we completed a total of 25 fitting-out projects with individual contract sum of not less than HK\$50 million and as at the Latest Practicable Date, we had a total of 23 projects in progress with individual contract sum of not less than HK\$50 million. Recommendations on our professional services have been given by some of them, thereby allowing us to secure further contracts from them. Such recommendations have not only solidified our market shares in the fitting-out industries in Hong Kong and Macau in past years but also positioned us well to obtain fitting-out projects in the coming years.

Expertise in re-engineering and pre-fabrication technique for sizeable fitting-out projects

In October 2010, Dongguan Sundart became our indirect wholly-owned subsidiary following our acquisition of Sundart Living. See "History, Development and Reorganisation". In addition to its expertise in manufacturing timber products in the PRC, Dongguan Sundart also provides re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by us. Through its engineering

BUSINESS

departments located in Dongguan and Shenzhen, which employed over 40 staff as at the Latest Practicable Date, Dongguan Sundart is able to elaborate the design intention and from there to propose a better construction method and fixing details. Most items required for the project, if possible, will be re-engineered and pre-fabricated in the form of components. All components will be mass produced by either Dongguan Sundart or its long-standing suppliers and subsequently assembled and installed onsite in accordance with the re-engineered design. As compared with the conventional practice of carrying out all works step by step onsite, our re-engineering and pre-fabrication techniques enable us to reduce our onsite construction time, onsite labour costs and our reliance on skilled workers onsite, and to improve the quality and precision of our works.

Competitive edge on material costs and arrangements provided internally or with reliable suppliers and subcontractors

In addition to the re-engineering and pre-fabrication services provided by Dongguan Sundart, we are able to further reduce our construction time onsite and onsite labour costs through the application of our high degree of technical expertise and know-how accumulated in our previous projects. See “— Research and Development”. By undertaking a number of sizeable projects, we have accumulated experience in cost control and increasing our bargaining power on procurement of materials, which further secures our competitive position when bidding for tenders.

International accreditation for interior decorative products manufactured and qualification for construction

We have accumulated extensive technical knowledge and developed a high degree of technical expertise through our almost 20 years’ experience as an integrated fitting-out contractor. Our subsidiary, Dongguan Sundart is a reputable timber product producer in the PRC that provides timber products for fitting-out contractors. As recognition of its technical know-how, we received the AWI Qualified Enterprise Certificate awarded by Architectural Woodwork Institute in 2010 and the Certificate of Compliance issued by Underwriters Laboratories Inc. in 2009 for our prefabricated fire door products and prefabricated window frame products. We believe the international accreditation enables us to meet our customers’ product quality standards on interior decorative products and enhance our competitiveness.

In addition, our subsidiary, Kin Shing is a registered specialist contractor in Hong Kong in the sub-registers of foundation works and site formation works and a registered general building contractor with the Buildings Department and is also on the list of approved contractors for public works of the Development Bureau in the category of buildings (Group C on probation). Kin Shing has been specialising in construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, luxurious hotels, factories, and commercial projects. Through Kin Shing, we are able to diversify our business and capture other business opportunities such as a general building contractor for construction works and contractors for alteration and addition and maintenance works.

BUSINESS

Experienced and efficient management team

Our executive Directors and senior management team and key technical personnel have extensive industry knowledge, project management experience and industry expertise in fitting-out business as well as other peripheral operations. As at the Latest Practicable Date, 70 members of our staff had professional qualifications such as professional engineer, builder, surveyor, accountant, legal and company secretary. Their qualifications and experience facilitate our formulation of competitive tenders, which are essential to us in securing new business, and the efficient and timely implementation and supervision of our fitting-out works. We believe that the combination of our management and technical teams' collective expertise and knowledge of the industry, together with our highly qualified employees, have been, and will continue to be, our valuable assets.

Commitment to safety, quality and environment through well-established management systems

In addition to our ability of delivering quality projects on a timely manner, we believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established safety, quality and environmental management systems. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured. We have been accredited with ISO 9001 and ISO 14001 certifications since 2009 and 2010, respectively. We believe that certifications to ISO 9001 and ISO 14001 enhance our public image and credibility and also help us to improve our customers' confidence in our services.

BUSINESS STRATEGIES

We aim to strengthen our market position in the fitting-out industry in Hong Kong and Macau and, if suitable opportunity arises, explore new business opportunities by pursuing the following strategies:

Solidify our position in the fitting-out markets in Hong Kong and Macau

Hong Kong

We are an integrated fitting-out contractor based in Hong Kong. Given our proven track record, local knowledge and good reputation, we plan to increase our market share in the fitting-out industry in Hong Kong by focusing on new and sizeable projects in Hong Kong with an aim to generate strong recurring cash flows for us. According to the Ipsos Report, it is expected that the revenue of fitting-out industry in Hong Kong will continue to increase, from HK\$15.0 billion in 2015 to HK\$28.2 billion in 2019, representing a CAGR of 17.1%, primarily due to the ongoing construction of new hotels, residential properties and retail shopping malls. We believe that our proven track record and long working relationships with major property developers and hotel owners in Hong Kong position us well for bidding sizeable projects in Hong Kong for the coming years.

BUSINESS

Macau

According to Ipsos Report, the revenue of Macau's fitting-out industry is expected to decrease from MOP6,202.3 million in 2015 to MOP5,030.8 million in 2016 reaching another cyclic trough taking into account the recent downturn in the gaming industry in Macau which may lead to a decrease in the investment in hotel and casino projects thus a decrease in fitting-out works. It is expected that the revenue of the fitting-out industry in Macau to slightly increase again from MOP5,030.8 million in 2016 to MOP5,768.8 million in 2017 and is expected to remain relatively stable in 2018 and 2019. We believe that we will be able to capitalise the market opportunity leveraging our proven track record and experience and expertise in fitting-out works in Macau.

Further diversify our fitting-out business and expand our presence to new business segment

We intend to further diversify our fitting-out business and expand our business presence in the building renovation and maintenance business and, if suitable opportunity arises, expand our business presence to O2O e-commerce industry in the PRC.

Hong Kong

In addition to new property developments, fitting-out business opportunities also arise when a building undertakes complete renovation or changes its usage, such as from residential property to hotel. Such kind of projects do not require construction of superstructure and usually require the fitting-out contractor to adopt "design-and-build" approach and take the leading role in place of building main contractor which, hence, render the fitting-out contractor to have greater flexibility in deploying resources. During the Track Record Period, we have participated as the main contractor for building renovation and usage conversion works for a hotel located at Tsim Sha Tsui, Hong Kong. We believe such participation would not only provide us with business opportunities and revenue but also enhance our image in the eyes of the customers, designers, suppliers and subcontractors.

In addition, following the implementation of Operation Building Bright, Building Inspection Scheme, Self-initiated Redevelopment Projects and Demand-led Redevelopment Project Pilot Scheme by the Hong Kong Government, it is expected the demand for alteration and addition and construction works will continue to increase. According to the Permanent Secretary for Development of the Hong Kong Government as stated in Ipsos Report, there were approximately 5,900 buildings aged not less than 50 years in 2015, the number of which is estimated to increase by 580 each year. In addition, the number of buildings aged not less than 30 years was approximately 20,000 in 2015, which is expected to reach 30,000 by 2025. In addition, there were approximately 3,000 private buildings aged not less than 50 years as at the end of 2013 according to the information published by the Hong Kong Institution of Engineers in 2013. We believe this is a great market opportunity to expand our alteration and addition and construction works operated by Kin Shing. As a registered general building contractor with the Buildings Department, we believe we are well positioned to capture additional profit from such opportunities through Kin Shing.

Further, we have in the past primarily focused on providing fitting-out works to residential properties, hotels and serviced apartments, and to a much lesser extent, public buildings. To fuel for future growth of our business, we intend to bring in additional effort and resources to develop fitting-out business for sizeable shopping malls and luxurious retail shops.

BUSINESS

Macau

Based on our internal estimates, our Directors believe that the market demand for renovation works for existing hotels in Macau will remain stable in the coming years, as we estimate hotel guestrooms generally have a life span range from five to eight years, after which the hotel owners will need to renovate the guestrooms. We have accumulated experiences in carrying out guestroom renovation through our renovation works for 11 hotel and serviced apartment projects during the Track Record Period. We believe our experiences would enable us to capitalise the market demand.

Other business

If suitable opportunity arises, we may expand our presence to the O2O e-commerce industry by operating an online trading platform primarily to facilitate the selling of customised furniture manufactured by our Group according to the customers' specifications, as well as the provision of furniture or fitting-out works by third parties online (the "**Potential O2O Business**"). It is expected that the business of online sale of furniture, if carried out, will target individual customers in the PRC looking to select and purchase customised furniture in a convenient and cost-effective manner. As disclosed in "Industry Overview" section in the Prospectus, we believe there are plenty of business opportunities in the PRC for such business. Leveraging on our experience and expertise in fitting-out design, project management, material procurement and customised furniture manufacturing accumulated over the years in the fitting-out and interior decoration industry, we believe that we have the ability to capture the business opportunities in the e-commerce industry focusing on customised furniture online trading business in the PRC. If we are to proceed with the Potential O2O Business, after obtaining all the necessary approvals, we may first start with the online sale and offline delivery of customised furniture manufactured by us to individual customers in the PRC and then as and when appropriate, extending the online trading platform to third party furniture providers or fitting-out contractors through which they may also offer their products or fitting-out works. As at the Latest Practicable Date, we did not have any plan to provide any fitting-out works in the PRC through the Potential O2O Business (even if carried out).

As advised by our PRC legal advisers, for conducting the Potential O2O Business, we will need to file notification documents through a subsidiary in the PRC with the relevant PRC government authority in charge of information industry administration (the "**PRC Authority**") as an "Internet Content Provider" ("**ICP**") (without having to seek government approval for being a ICP). If we further expand the business to online trading platform through which third party furniture providers or fitting-out contractors may also offer their products or fitting-out works, we will also need to obtain the Electronic Data Interchange Permit (the "**EDI Permit**") from the relevant PRC Authority through a subsidiary newly established in the PRC. Our PRC legal advisers further confirm that there is no legal obstacle or restriction imposed on foreign-invested enterprise to obtain the EDI Permit or file notification documents with the relevant PRC Authorities as an ICP for the Potential O2O Business. Based on the advice of our PRC legal advisers, our Directors consider that there is no PRC legal obstacle for us to operate the Potential O2O Business in the PRC, although the issuance of the EDI Permit and the filing of ICP notification are subject to the relevant PRC Authority's administrative discretion and decision. We will continuously monitor any amendment by the PRC government of its rules and regulations that may affect the potential O2O Business and assess any risks that may affect us.

Before commencing the Potential O2O Business, we will first prepare a business plan and then conduct feasibility studies on such plan and, if possible, prepare and finalise a detailed implementation

BUSINESS


plan, taking into account a number of factors, including among other things, the regulatory requirements, the industry entry barriers, the industry development trend and potential, the market opportunities, the business model, competitive landscape, cashflows and return on investment. Our Directors undertake that all necessary approvals, including but not limited to the approvals from the Board, will be obtained before we commence to operate the Potential O2O Business. We have not commenced and currently do not have any plan to commence the Potential O2O Business in the near future. As at the Latest Practicable Date, we have only started to conduct preliminary research work and feasibility study for such business.

Given that we are still at the stage of conducting preliminary feasibility study for the Potential O2O Business, our Directors have not had a concrete plan or projection for the initial capital expenditure or the investment costs to be incurred for the Potential O2O Business. Since we may or may not proceed with the Proposed O2O Business, we did not include such potential costs in our use of proceeds from the Global Offering. If we are to proceed with the Proposed O2O Business, we expect that the initial capital expenditure and investment costs would not be material and such costs would be financed by our internal resources without utilizing any proceeds from the Global Offering.

Strengthen our research and development capabilities and technical leadership

We believe that our ability to continuously capitalise on our research and development achievements is vital to maintaining our long-term competitiveness and driving our business growth. Based on our experience, property developers and hotel owners have been increasingly demanding when it came to new projects, but they might not be willing to pay commensurate pricing. In order to maintain our competitive edge, we have strengthened our research and development capabilities which, in turn, help us to better control our construction time and costs. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our total research and development costs were HK\$0.5 million, HK\$0.5 million, HK\$0.7 million and HK\$0.5 million, respectively. We plan to dedicate further resources to our future research and development efforts. Our research and development center located in Dongguan, the PRC will, on a ongoing basis, try to research, develop and commercialise technical innovations to be applied in our projects and technical improvements to meet our customers' request and also to further reduce our construction costs. In addition, we intend to further reduce our construction costs by developing alternative decorative materials which are cheaper but with the same performance and further refine our re-engineering and pre-fabrication process to improve our work efficiency.

Continue to further enhance our brand name recognition

In 2014, in terms of revenue, we were the largest fitting-out contractor in Hong Kong and Macau with approximately 6.1% of Hong Kong market share and 15.5% of Macau market share, respectively, according to Ipsos Report. We believe that our “**Sundart**” brand name has been important to our past records and will underpin our development in the future. We will continue to focus on enhancing our brand name by continuously improving our services and distinguishing ourselves from our competitors by further enhancing our operational efficiency and productivity. We will also continue to proactively manage our customer relations, expand our customer base and increase customer loyalty. We believe that the recognition of our “**Sundart**” brand name will be enhanced when we expand our business. Hence, we entered into a trademark license agreement on 4 December 2015 with Sundart Beijing and Sundart Dalian, pursuant to which, we grant a license to Sundart Beijing and Sundart Dalian for use of our  trademark for their fitting-out business in the PRC on the terms and conditions of the agreement. For

BUSINESS

more details, see “Connected Transaction — Exempt Continuing Connected Transaction”. We believe their continuing use of our trademark will further increase our brand awareness in the PRC.

Continue to emphasise and maintain high standards of project planning, management and implementation

We will continue to collaborate with main contractors in our pursuit of overall project quality. Our goal is to benchmark our services against world-class standards. More importantly, we will continue to apply our systematic approach to project management to further standardise and streamline different areas of our operations. With a team comprised of project management, quantity surveying and design professionals, we intend to enhance the project planning and management through the preparation of programme and critical path analysis using computer softwares, as well as labour histograms so that we can accurately predict the various activities as well as the resources required at different stages of the project. In addition, the professional team will monitor to ensure that the projects will be completed in strict adherence to the schedules and within the budgets.

We will also continue to implement strict quality control measures to monitor our product quality and workmanship throughout the development process. We believe that our ability to maintain high standards services would improve customer comfort and satisfaction and in turn enhance our capability to compete with other industry peers in the future.

Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

We will continue to closely monitor our capital and cash positions and carefully manage key measures such as labour costs, cash flows and fixed charge coverage. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and of high-profile in nature. In addition, we will continue to focus on our internal control system to maintain adequate cash flow for our ongoing capital requirements, improve our operating facilities and technologies and streamline our operational processes to achieve savings in our costs. We will remain disciplined in our capital commitments and seek long-term financing opportunities.

OUR BUSINESS MODEL

Continuing Operations

Fitting-out Business

Our continuing fitting-out business primarily included our fitting-out works carried out for hotels, serviced apartments, residential properties and other properties in Hong Kong and Macau. Our fitting-out works are, in general, undertaken with respect to the interior spaces of the property after the property has been structurally completed by the main contractor and before such property can be suitable for occupation or be available to be handed over to property purchasers, excluding electrical and mechanical installation. The scope of our works may differ depending on the types of properties involved.

As a fitting-out contractor, we are responsible for overall project implementation. Generally speaking, depending on the nature of the fitting-out works, we employ our own workers to work on more complicated parts of the project, such as certain joinery and marble works, and outsource other labour intensive works to subcontractors by entering into separate contracts with them.

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Hotel and serviced apartment

Our fitting-out works for hotel and serviced apartment primarily refer to interior decorative works for guestrooms, entrance lobby, lift lobbies, corridor, other common areas, as well as functional places such as junkets and casinos, including stone and marble works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. Depending on the requirements of our customers, our fitting-out works also include procurement of furniture and other decorative materials to be placed in such area.

Residential properties

Our fitting-out works for residential properties primarily refer to interior decorative works for flats, entrance lobby, lift lobbies, clubhouse and other common areas, including stone and marble works, joinery works, suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, as well as other associated works.

Other properties

Fitting-out works for other properties primarily refer to interior decorative works for public buildings, commercial and other properties, depending on our customers' request, including stone and marble works, carpentry and joinery works, floor carpeting, suspended ceilings, plastering works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, as well as other associated works.

Alteration and Addition and Construction

We carry out alteration and addition and construction business in Hong Kong through Kin Shing. For details of our responsibilities for alteration and addition and construction works, see “— Alteration and Addition and Construction Business”.

Manufacturing, Sourcing and Distribution of Interior Decorative Materials

We also manufacture interior timber products such as fire-rated timber doors and wooden furniture through Dongguan Sundart. In addition, Dongguan Sundart also provides re-engineering and pre-fabrication services for sizeable fitting-out projects undertaken by us. See “— Manufacturing, Sourcing and Distribution of Interior Decorative Materials”.

Discontinued Operations

Our discontinued operations referred to the fitting-out business carried out by Sundart Beijing in the PRC. By June 2015, we disposed the entire equity interest held by us in Sundart Beijing with a view to satisfying the CSRC's requirements of non-competition between the businesses of Jangho Group and our Group. Thus, Sundart Beijing ceased to be our subsidiary. See “History, Development and Reorganisation”. Therefore, our fitting-out business in the PRC carried out by Sundart Beijing during the Track Record Period has been reclassified as discontinued operations to provide a more appropriate presentation in this Prospectus.

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OUR WORK PORTFOLIO

We have undertaken a number of sizeable fitting-out projects in Hong Kong and Macau. Our ability to undertake and complete sizeable fitting-out projects had primarily fueled the growth of our revenue from continuing operations and profit during the Track Record Period. In particular, the provision of fitting-out works for a number of five-star hotel or serviced apartment projects in Macau was the key driver for our growth during the Track Record Period. The following table sets forth an analysis of our top projects in terms of revenue recognised during the Track Record Period.

	Year ended 31 December			Eight months ended
	2012	2013	2014	31 August 2015
Total revenue from continuing operations	1,753.0	1,632.2	2,336.7	2,701.2
Revenue from the largest project in terms of revenue recognised	165.7	167.8	274.2	264.8
% of the total revenue from continuing operations	9.5%	10.3%	11.7%	9.8%
Revenue from the top five projects in terms of revenue recognised	613.1	632.0	931.5	1,048.6
% of the total revenue from continuing operations	35.0%	38.7%	39.9%	38.8%

During the Track Record Period, we completed a total of 53 fitting-out projects and 43 alteration and addition and construction projects.

FITTING-OUT BUSINESS

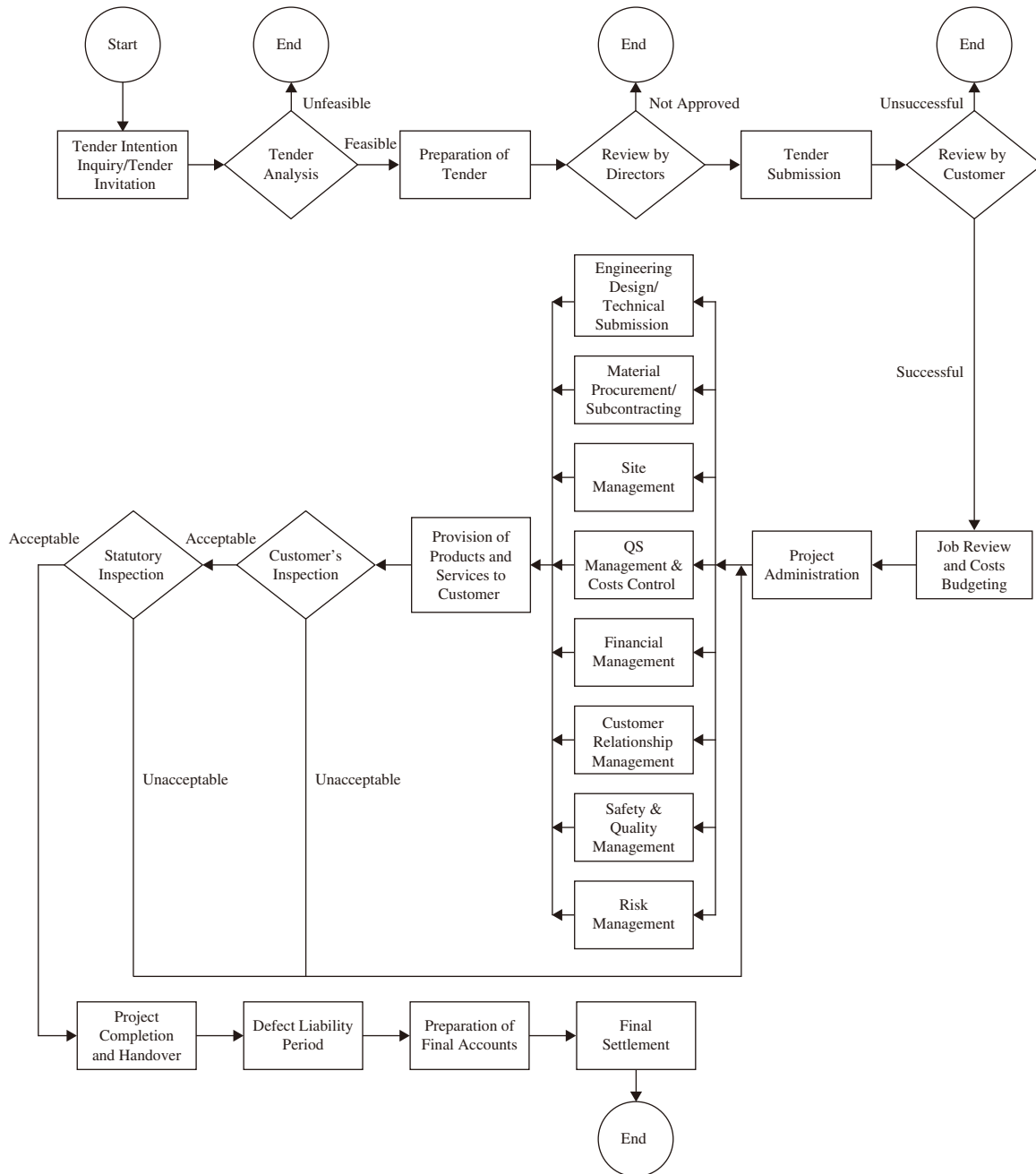
We are a fitting-out contractor specialising in providing professional fitting-out works for residential property and hotel projects. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our revenue attributable to fitting-out works from continuing operations amounted to approximately HK\$1,259.0 million, HK\$889.9 million, HK\$1,983.6 million and HK\$2,307.5 million, respectively, and accounted for approximately 71.8%, 54.5%, 84.9% and 85.5% of our total revenue from continuing operations, respectively.

As a professional fitting-out contractor, we are involved in the day-to-day management and implementation of projects awarded to us. Normally, we delegate part of our fitting-out works to our subcontractors, and coordinate with our customers or their consultants, the main contractors, subcontractors and suppliers when carrying out our projects.

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Operating Procedures

Our operating procedures in respect of fitting-out works principally involve identifying potential projects, sale and marketing, tender and project implementation. We have developed a comprehensive project management system in respect of our fitting-out works including tender preparation, contract management, project administration and project completion and handover. For illustrative purposes, the following chart sets forth our operating procedures for our fitting-out works.



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Tender Process

Tender intention inquiry/tender invitation. As a common market practice, potential customers usually select not less than three fitting-out contractors as candidates for the tender based on its industry consultant's list of eligible fitting-out contractors or our customers' own list of eligible fitting-out contractors. Subsequently, we will receive either tender intention inquiry or tender invitation from such customer for the fitting-out works for the potential project. We will study the tender background, make forecast review and carry out site visit to review such potential projects in order to ascertain whether they are profitable and manageable. We normally make decisions based on a number of factors including the scope and complexity of work, project specification, achievability of specified timetable, availability of our recourses and expertise and our financial conditions.

Tender analysis. On receipt of a tender, we will evaluate and conduct an analysis of the tender documents to identify the scope of works, costs, environment, quality, schedule, safety, statutory and technical requirements.

Tender analysis is an expedient process in the sense that we have to determine the feasibility of a particular project in a short period of time before devoting substantive resources in preparing the tender proposal.

Preparation of tender. Tender preparation is a comprehensive procedure which mainly involves our QS and project management teams. It includes costing and pricing, competitor analysis, technical analysis, cash flow analysis and risk assessment, etc.

The time allowed to prepare the tender proposal varies from case to case, and depends on specific tender requirements of a project. Generally, it takes about two to three weeks from receipt of the tender documents to submission of the tender proposal. Additional time is usually allowed if there is any tender addendum or pre-tender interview. Under certain circumstances, extension of tender return date may be granted by potential customers when so requested by us.

Pricing. In pricing a tender, we make reference to the information maintained in our computer database, the quotations of suppliers and subcontractors, the materials price trend, wage trend, our previous tender records and the awarded tender price of similar jobs. During the tender process, if any subsequent tender changes, modifications or addenda are received, we will review and take into account all such tender changes, modifications or addenda in the preparation of tender and reply customers as required. We take into account various possible risk factors in preparing an accurately budgeted, competitive and profitable tender. Most of our contracts are awarded and carried out on a fixed-price basis with a pre-determined timetable for project completion. Our bids are therefore prepared on this basis. This type of contracts generally commits the fitting-out contractor to provide all the resources required to complete a project for a fixed sum.

Tender interviews. After receiving tender proposals from candidates, the potential customer will conduct interviews with those short-listed candidates, at which the potential customer will have an in depth study on the tender, technicality and financial aspects of the candidates.

Tender plan negotiation. Normally, we will suggest alternative fitting-out solutions in our tender documents to improve the fitting-out quality or reduce the costs. From time to time, our customers may negotiate with us on the price after review the tender documents.

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Award of contracts. Generally, it takes approximately three to four months from receipt of the tender documents to award of contract. Award of contract is generally confirmed by way of a letter of acceptance for tender projects. The property developer will either enter into a fitting-out works contract with us directly or assign the general contractor of the project to enter into such contract with us. See “— Our Customers”.

The following table sets forth our overall tender success rate for fitting-out projects for the periods indicated.

	For the year ended 31 December			Eight months ended 31 August 2015 ⁽²⁾	From 1 January 2015 to the Latest Practicable Date ⁽²⁾
	2012	2013	2014		
Tender success rate ⁽¹⁾	30.6%	15.4%	35.3%	11.4%	14.1%

Notes:

- (1) Tender success rate is calculated as the number of contracts awarded in respect of the tenders submitted during a financial year/period, divided by the number of tenders submitted during the respective financial year/period.
- (2) Figures for the eight months ended 31 August 2015 and the period from 1 January 2015 to the Latest Practicable Date are subject to change as we have not received the notice of award or rejection of our tender for three and 19 projects, respectively, up to the Latest Practicable Date.

Our Directors consider that our overall tender success rate during the Track Record Period has been satisfactory in general.

Performance bonds. To secure due and timely performance, sometimes our customers may request us to provide performance bonds issued by a bank in their favour. We believe that we have a reputation for completing projects on schedule, and during the Track Record Period and up to the Latest Practicable Date, no performance bond had been called by our customers by reason of late completion of any of our projects. Generally, the amount of performance bond required for a project undertaken by us would not exceed 10% of the total contract sum and the performance bond normally expires upon issuance of the certificate of practical completion or upon the issue of certificate of completion of making good defects after the expiry of defect liability period.

Advance payment bonds. In case where advanced payment is provided by our customer, we have to provide advanced payment bonds for equal amount as guarantee of repayment of such advanced payment to the customer. In line with the prevailing market practice, our customers in Hong Kong generally do not pay any deposit after the contract execution and before the first progress payment while our customers in Macau normally pay a deposit ranging from 10% to 20% of the contract price upon the contract execution.

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Project Administration

Upon awarding of a contract, we will implement project administration to ensure the contract is executed effectively and efficiently.

The project administration includes engineering design and technical submission, devising detailed works programme, procurement of materials, delegation of works to subcontractors, coordination with the customer, general contractor or its consultants, and with subcontractors and suppliers and to take charge in the overall management of these works.

Works programme. Once a contract is awarded to us, we will assign a project team led by our project manager for onsite supervision and overall coordination of the day-to-day operation of the project.

A works programme will be prepared according to the contract requirements and the site activities in the works programme will be broken down into sufficient details such that individual task works can be monitored. The works programme will show the logic of the work sequence and incorporate the key dates and milestone dates which will be closely monitored during the execution of the project.

Based on the works programme, the subletting schedule, the resource schedule, the method statement submission schedule, the design submission schedule and the material requirements or sample submission schedule will be worked out. The above schedules will be used to monitor the planning work and to ensure that the subletting work, the resources allocation, the submission works are prepared and proceeded in a timely manner.

Engineering design/Technical submission. Ideas of customers are included in the tender documents which are usually in the form of architect's drawings together with the specifications of materials and/or products to be used. Staff of our technical department has to prepare corresponding detail engineering drawings in order to transform such ideas into real and practicable solutions. Sometimes, product simulation and/or mould-up is required in order to let the customers have an in-depth understanding of what materials or products are to be used in the projects.

Procurement, allocation of resources and prefabrication. See “— Suppliers and Subcontractors — Procurement, Allocation of Resources and Pre-fabrication”.

Subcontracting. See “— Suppliers and Subcontractors — Subcontracting”.

Variation orders. Our customer may, in the course of project execution, place orders concerning variation to part of the fitting-out works that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of fitting-out works. We will discuss with our customer to mutually agree on the sum of variation orders which shall be added to or deducted from the contract sum mainly with respect to rate of works of the same or similar character as in the main contract. A variation order will usually be notified to us by way of a letter from our customer describing the detailed works to be carried out as a result of such variation order. In general, we will then obtain fee estimates internally or quotation from our subcontractors and prepare and submit the rate for such variation order to our customer for approval. The principal contract terms and settlement of variation orders are generally in line with the terms of the main contract.

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Defect liability period. Our customers would normally require a defect liability period, during which we are responsible to rectify defects. Defect liability period normally lasts for one to two years after project completion and handover. In order to protect our interest, similar defect liability period has to be provided by our subcontractors. Under the usual terms of our contracts, we are liable to rectify all defective works during the defect liability period, if any. Our site management conducts review regularly on the defective works identified. If necessary, additional costs for repairs and maintenance are provided for in the financial statements. During the Track Record Period, we have not experienced any material claim by our customers in respect of our fitting-out works.

Progress payment and retention money. We normally receive progress payment from customers on a monthly basis with reference to the value of works done. Generally, we submit a payment request to our customer with reference to the works done in the preceding month on monthly basis, which will subsequently certified by the authorised persons, such as the architects or consulting quantity surveyors employed by the customers. A progress certificate will be issued by the authorised person providing the amount payable with reference to the value of works done. The customers will then make payments with reference to such certificates.

In most contracts, there is a contract term for the customers to hold up a portion, normally about 10%, from each progress payment until a particular percentage of the total contract sum is reached and such sum of money is known as retention money. The retention money for each project is normally 5% of the total contract sum. Generally, the first half of the retention money is released upon the issue of certificate of practical completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defects after the expiry of the defect liability period.

From time to time, our customer may delay their payment, in particular, the final payment due to their internal approval procedures that are beyond our control. Therefore, we may be engaged in prolonged negotiation with our customers with respect to the settlement of payment applications, in particular, the settlement of the final payment, which our Directors believe is common in the fitting-out industry.

Duration. The duration of our fitting-out works can be affected by a number of factors including technical complexity, availability of specified materials, expectation of customers and variation of works etc., which can vary widely. The expected project duration and completion time of a project is usually provided in the contract. The duration of our projects from commencement to completion of fitting-out works during the Track Record Period varied from 12 months to 18 months. In light of any circumstance which may lengthen our construction period, we will discuss with our customer with an aim to restating the required time for completion of the project and adjust our previous quotation.

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Our Projects

Projects Completed and In Progress

We normally secure projects through competitive tender process. During the Track Record Period and up to the Latest Practicable Date, we had completed a total of 25 fitting-out projects with individual contract sum of not less than HK\$50 million. The following table sets forth projects we completed during the Track Record Period and up to the Latest Practicable Date with individual contract sum of not less than HK\$50 million.

Project nature	Type of customer	Our capacity⁽¹⁾	Scope of works	Location	Contract sum attributable to us⁽²⁾ (HK\$ in millions)	Contractual/estimated commencement date	Actual completion date⁽³⁾
A casino project	Property owner	Direct	Casino fitting-out	Macau	157.3	June 2011	January 2012
A hotel project	Property owner	Direct	Hotel renovation	Causeway Bay, Hong Kong	77.6	March 2011	June 2012
A residential property project	Main contractor	Nominated subcontractor	Typical flats, clubhouse, G/F lobbies, B1&B2 parking spaces, gardens, platforms, parking space lobbies and lift lobbies fitting-out	Aberdeen, Hong Kong	143.9	August 2011	September 2012
A hotel project	Property owner	Direct	Guestrooms, suites and corridors renovation	Tsim Sha Tsui, Hong Kong	246.9	December 2011	April 2013
A residential property project	Property owner	Direct	Typical flats and lift lobbies fitting-out	Tai Wai, Hong Kong	123.7	July 2012	April 2013
A residential property project	Main contractor	Nominated subcontractor	Typical flats and lift lobbies fitting-out	Mong Kok, Hong Kong	117.6	January 2012	September 2013
A hotel project	Property owner	Direct	Suites fitting-out	Macau	142.4	December 2010	November 2013
A hotel project	Property owner	Direct	Renovation work for guestrooms, club floor, business centre and retail shop	Wanchai, Hong Kong	60.9	May 2013	March 2014
A serviced apartment project	Property owner	Direct	Services apartment renovation	Macau	61.2	November 2013	October 2014
A residential property project	Main contractor	Nominated subcontractor	Flats and lift lobbies fitting-out	Sai Wan, Hong Kong	76.9	December 2012	December 2014 ⁽⁴⁾

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Project nature	Type of customer	Our capacity ⁽¹⁾	Scope of works	Location	Contract sum attributable to us ⁽²⁾ (HK\$ in millions)	Contractual/ estimated commencement date	Actual completion date ⁽³⁾
A hotel project	Property owner	Direct	Suites fitting-out	Macau	137.4	January 2014	April 2015
A residential property project	Main contractor	Nominated subcontractor	Kitchen, bathroom and lift lobbies fitting-out	Austin, Hong Kong	57.9	July 2013	May 2015
A hotel project	Main contractor	Nominated subcontractor	Guestrooms fitting-out	Macau	361.9	March 2014	May 2015 ⁽⁴⁾
A hotel project	Main contractor	Nominated subcontractor	Guestrooms, lift lobbies, lift corridors and lift	Macau	399.4	November 2013	May 2015 ⁽⁴⁾
A residential property project	Property owner	Direct	Clubhouse, lift lobbies and entrance lobbies fitting-out	Tsuen Wan, Hong Kong	108.2	August 2012	June 2015 ⁽⁴⁾
A casino project	Property owner	Direct	VIP casino fitting-out	Macau	85.4	June 2014	August 2015 ⁽⁴⁾
A residential property project	Property owner	Direct	Typical bathrooms, kitchens and lift lobbies fitting-out	Tsuen Wan, Hong Kong	202.0	May 2012	August 2015 ⁽⁴⁾
A hotel project (Tower B)	Main contractor	Nominated subcontractor	Guestrooms and corridor fitting-out	Macau	421.6	June 2014	August 2015 ⁽⁴⁾
A hotel project (Tower A)	Main contractor	Nominated subcontractor	Guestrooms and corridor fitting-out	Macau	425.9	June 2014	August 2015 ⁽⁴⁾
A residential property project	Main contractor	Nominated subcontractor	Bathrooms and kitchens fitting-out	Sha Tin, Hong Kong	88.9	April 2014	September 2015 ⁽⁴⁾
A residential property project	Main contractor	Nominated subcontractor	Lobbies, bathrooms and kitchens fitting-out	Wan Chai, Hong Kong	92.8	March 2013	September 2015 ⁽⁴⁾
A residential property project	Property owner	Direct	Lobbies, kitchens and bathrooms fitting-out and interior stone works	Tsim Sha Tsui, Hong Kong	121.6	August 2013	October 2015 ⁽⁴⁾
A serviced apartment project	Property owner	Direct	Flats fitting-out	Mong Kok, Hong Kong	57.9	August 2013	November 2015 ⁽⁴⁾
A hotel project	Property owner	Direct	Guestrooms corridor and lift lobby fitting-out	Macau	451.0	June 2014	November 2015

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Project nature	Type of customer	Our capacity ⁽¹⁾	Scope of works	Location	Contract sum attributable to us ⁽²⁾ (HK\$ in millions)	Contractual/estimated commencement date	Actual completion date ⁽³⁾
A hotel project	Property owner	Direct	Platform theme external wall and welcome plaza fitting-out	Macau	150.1	September 2014	November 2015 ⁽⁴⁾

Notes:

- (1) For those projects which our capacity was classified as direct subcontractor, we were directly employed by the property owners to execute the fitting-out works of the contracts.

For those projects which our capacity was classified as nominated subcontractor, we were nominated by the property owners and entered into subcontracts with the main contractors to execute the fitting-out works.

- (2) Included fitting-out works carried out under contracts which comprise various numbers of variation work orders issued under such contract. The contract sum only represents the estimated amounts of the contract works and variation work orders under such contract.
- (3) The time of project completion is evidenced by either the completion time provided in the certificates of practical completion we had received up to the Latest Practicable Date or the estimated completion time that our QS staff estimates to be contained in the certificates of practical completion to be issued by our customer later upon actual completion of fitting-out works.
- (4) Projects were delayed as a result of the late delivery of property by the main contractor to us to commence fitting-out works. Up to the Latest Practicable Date, our Directors were not aware of any claim from our customers in connection with the delay.

As at the Latest Practicable Date, we had a larger number of fitting-out projects in progress. We had a total of 23 projects, being projects with individual contract sum of not less than HK\$50 million, in progress, with a total contract sum of approximately HK\$5,087.5 million and out of which a total revenue of HK\$1,241.1 million had been recognised during the Track Record Period. The following tables set out those projects in progress with individual contract sum of not less than HK\$50 million as at the Latest Practicable Date.

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A. Individual contract sum of not less than HK\$100 million.

Project nature	Type of customer	Our capacity ⁽¹⁾	Scope of works	Location	Contract sum attributable to us ⁽²⁾ (HK\$ in millions)	Contractual/estimated commencement date	Contractual/estimated completion date	Approximate percentage of total payments received and/or receivable as at
								4 December 2015
Hong Kong								
A hotel project (Phase II)	Property owner	Direct	Guestrooms renovation	Wanchai, Hong Kong	144.4	September 2010	December 2015 ⁽³⁾	86.4%
A residential property project (Phase III)	Property owner	Direct	Typical bathrooms, kitchens and flats fitting-out	Tseung Kwan O, Hong Kong	246.0	May 2012	December 2015	88.0%
A monastery project	Main contractor	Nominated subcontractor	Fitting-out works	Tai Po, Hong Kong	164.5	February 2011	December 2015	94.3%
A residential property project	Main contractor	Nominated subcontractor	Lift lobbies and bathrooms fitting-out	Tseung Kwan O, Hong Kong	115.0	July 2014	January 2016	68.8%
A commercial property project	Property owner	Direct	Office fitting-out	Aberdeen, Hong Kong	149.4	November 2014	January 2016	75.5%
A hotel project	Main contractor	Nominated subcontractor	Suites renovation	Sha Tin, Hong Kong	198.7	May 2014	April 2017	48.9%
Macau								
A casino project	Main contractor	Nominated subcontractor	Casino fitting-out	Macau	260.0	October 2014	March 2016 ⁽³⁾	88.7%
A casino project	Main contractor	Nominated subcontractor	Casino fitting-out	Macau	334.4	October 2014	March 2016 ⁽³⁾	59.2%
A serviced apartment project	Property owner	Direct	Serviced apartment fitting-out	Macau	796.3	November 2014	March 2016	Nil ⁽⁴⁾
A hotel project	Property owner	Direct	Platform theme external wall fitting-out	Macau	248.8	August 2014	June 2016 ⁽³⁾	43.5%
A hotel project	Property owner	Direct	VIP guestrooms fitting-out	Macau	330.6	April 2015	June 2016 ⁽³⁾	0.7%
A hotel project	Main contractor	Nominated subcontractor	Standard guestrooms, suites and corridors fitting-out	Macau	705.0	December 2014	June 2016 ⁽³⁾	27.0%
A hotel project	Main contractor	Nominated subcontractor	Deluxe villa and super deluxe villa fitting-out	Macau	200.0	August 2015	June 2016	1.7%
A hotel project	Main contractor	Nominated subcontractor	Guestrooms, lift lobbies and corridors fitting-out	Macau	588.7	June 2015	July 2016 ⁽³⁾	2.0%

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Notes:

- (1) For those projects which our capacity was classified as direct subcontractor, we were directly employed by the property owners to execute the fitting-out works of the contracts.

For those projects which our capacity was classified as nominated subcontractor, we were nominated by the property owners and entered into subcontracts with the main contractors to execute the fitting-out works.

- (2) Included fitting-out works carried out under contracts which comprise various numbers of variation work orders issued under such contract. The contract sum only represents the estimated amounts of the contract works and variation work orders under such contract.
- (3) Projects are delayed as a result of the late delivery of property by the main contractor to us to commence fitting-out works. Up to the Latest Practicable Date, our Directors were not aware of any claim from our customers in connection with the delay.
- (4) We had not recorded any trade receivables for such project as it is either yet to commence or in progress but no payment applications had been issued in accordance with the payment terms.

B. Individual contract sum between HK\$50 million and HK\$100 million.

Project nature	Type of customer	Our capacity ⁽¹⁾	Scope of works	Location	Contractual/		Contractual/ estimated completion date	Approximate percentage of total payments received and/or receivable as at 4 December 2015
					Contract sum attributable to us ⁽²⁾	estimated commencement date		
A shopping mall project	Main contractor	Nominated subcontractor	Shopping mall and main lobby fitting-out	Wan Chai, Hong Kong	57.8	July 2014	December 2015	57.7%
A residential property project	Main contractor	Nominated subcontractor	Lobby entrances, lift cars, clubhouse and shopping mall fitting-out	Tseung Kwan O, Hong Kong	50.5	March 2015	January 2016 ⁽³⁾	31.3%
A residential property project	Main contractor	Nominated subcontractor	Flats fitting-out	Central, Hong Kong	56.5	April 2015	April 2016	20.7%
A residential property project	Main contractor	Nominated subcontractor	Bathroom and kitchen ceiling fitting-out	Tseung Kwan O, Hong Kong	53.8	March 2015	May 2016	Nil ⁽⁴⁾
A residential property project	Main contractor	Nominated subcontractor	Flats and commercial property fitting-out	Tseung Kwan O, Hong Kong	59.3	March 2015	June 2016	13.7%
A commercial property project	Main contractor	Nominated subcontractor	Government offices and back offices fitting-out	West Kowloon, Hong Kong	85.8	April 2015	November 2016	2.3%
A residential property project	Main contractor	Nominated subcontractor	Lift lobbies, bathrooms and kitchens	Homantin, Hong Kong	97.8	September 2015	July 2017	Nil ⁽⁴⁾
A traditional opera center	Main contractor	Subcontractor	Main theatre, tea house and seminar hall	West Kowloon, Hong Kong	64.1	September 2015	August 2017	Nil ⁽⁴⁾

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Project nature	Type of customer	Our capacity ⁽¹⁾	Scope of works	Location	Contract sum attributable to us ⁽²⁾ <i>(HK\$ in millions)</i>	Contractual/estimated commencement date	Contractual/estimated completion date	Approximate percentage of total payments received and/or receivable as at
								4 December 2015
A traditional opera center	Main contractor	Subcontractor	Front of house area including retails, dining and entertainment areas, public area, foyers and general space	West Kowloon, Hong Kong	80.1	September 2015	August 2017	Nil ⁽⁴⁾

Notes:

- (1) For those projects which our capacity was classified as nominated subcontractor, we were nominated by the property owners and entered into subcontracts with the main contractors to execute the fitting-out works.

For those projects which our capacity was classified as subcontractor, we were employed by the main contractor to execute the fitting-out works of the contracts.

- (2) Included fitting-out works carried out under contracts which comprise various numbers of variation work orders issued under such contract. The contract sum only represents the estimated amounts of the contract works and variation work orders under such contract.
- (3) Projects are delayed as a result of the late delivery of property by the main contractor to us to commence fitting-out works. Up to the Latest Practicable Date, our Directors were not aware of any claim from our customers in connection with the delay.
- (4) We had not recorded any trade receivables for such project as it is either yet to commence or in progress but no payment applications had been issued in accordance with the payment terms.

ALTERATION AND ADDITION AND CONSTRUCTION BUSINESS

We carry out alteration and addition and construction business in Hong Kong through Kin Shing, a general building contractor, which was acquired by us in October 2010. See “History, Development and Reorganisation”.

Our responsibilities for alteration and addition works primarily consist of demolition, alteration, upgrading and fitting-out works, changes in facilities configuration; fabrication, modification, removal, or installation of hardware and equipment; signs; erection, relocation, or removal of partitions, doors, and windows; and changes in type of finishes and flooring materials; and other works that upgrade the general condition of buildings and their facilities. In addition, our responsibilities for construction works primarily consist of (i) overall building construction including foundation works, alteration and addition works and project management; (ii) supplying or procuring the supply of materials and where necessary, engagement of subcontractors; (iii) monitoring the works to ensure they are in accordance with the contract specification and customer’s requirements; and (iv) liaising with various professional parties to ensure the project is on schedule.

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As at the Latest Practicable Date, Kin Shing was a registered specialist contractor in the sub-registers of foundation works and site formation works and a registered general building contractor with the Buildings Department and was also on the list of approved contractors for public works of the Development Bureau in the category of buildings (Group C on probation).

During the Track Record Period, Kin Shing provided alteration and addition and construction works to a total of 51 projects, including but not limited to, the development of a residential property located at Discovery Bay, Hong Kong and the redevelopment of a commercial building located at Kwun Tong, Hong Kong.

For all major alteration and addition and construction contracts completed during the Track Record Period or contracts on hand as at the Latest Practicable Date, the contract period normally lasts for 12 to 18 months.

Contracts Completed

During the Track Record Period and up to the Latest Practicable Date, we had completed a total of 44 alteration and addition and construction projects with a total contract sum of approximately HK\$1,501.6 million, out of which a total revenue of approximately HK\$1,286.4 million had been recognised during the Track Record Period. The following table sets forth details of our alteration and addition and construction projects with individual contract sum of not less than HK\$10.0 million during the Track Record Period and up to the Latest Practicable Date.

Particulars of the contract	Work nature	Customer	Completion date ⁽¹⁾	Contract sum ⁽²⁾ (HK\$ in millions)
Main contractor for residential development	Construction	A private company	May 2012	54.9
Main contractor with alteration and addition works for a factory	Alteration and addition	A private medicine manufacturing company	June 2012	251.7
Main contractor with slope upgrading works	Construction	A private not-for-profit cemetery organisation	August 2013	18.0
Main contractor with alteration and addition works for an university	Alteration and addition	A private university	September 2013	16.6
Main contractor with superstructure works for office development	Construction	A private real estate development company	October 2013	263.0
Main contractor with alteration and addition works for the development of a factory	Alteration and addition	A private food production company	December 2013	226.2
Main contractor with alteration and addition works of external wall	Alteration and addition	Private incorporated owners	December 2013	22.5
Main contractor with alteration and addition works of external wall	Alteration and addition	A listed property investment company	June 2014	25.2

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Particulars of the contract	Work nature	Customer	Completion date ⁽¹⁾	Contract sum ⁽²⁾ (HK\$ in millions)
Subcontractor with construction works for an industrial development project	Construction	A private construction company	June 2014	236.5
Main contractor with alteration and addition works of common areas	Alteration and addition	Private incorporated owners	August 2014	10.1
Main contractor with site formation works	Construction	A private real estate development company	November 2014	146.0
Main contractor with slope upgrading and maintenance works for cemeteries	Alteration and addition	A private not-for-profit cemetery organisation	January 2015	24.0
Main contractor with alteration and addition works for a hotel	Alteration and addition	A private hotel and resorts management company	July 2015	154.5

Notes:

- (1) Completion date in general refers to the completion date as specified in the certificate of practical completion issued.
- (2) Included alteration and addition and construction works carried out under contracts which comprise various numbers of variation work orders issued under such contract. The contract sum only represents the estimated amount of the contract works and variation work orders under such contract.

Contracts on Hand

As at the Latest Practicable Date, we had ten alteration and addition and construction contracts on hand (including contracts in progress and contracts which are yet to commence) with a total contract sum of approximately HK\$932.2 million and out of which a total revenue of approximately HK\$390.0 million had been recognised during the Track Record Period. The following table sets forth details of our alteration and addition and construction contracts on hand with individual contract sum of not less than HK\$10.0 million as at the Latest Practicable Date.

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Particulars of the contract	Work nature	Customer	Contractual/ estimated completion date	Contract sum ⁽¹⁾ <i>(HK\$ in millions)</i>	Track Record Period ⁽¹⁾ <i>(HK\$ in millions)</i>
Main contractor with redevelopment works for residential properties	Construction	A private not-for-profit visual impairment organisation	December 2015	127.5	101.9
Main contractor with conversion works for an industrial building	Alteration and addition	A private property development company	March 2016	232.0	91.9
Main contractor with works including design and construction of foundation, excavation and lateral support and pile cap for factory development	Construction	A private medicine manufacturing company	May 2016	150.0	90.3
Main contractor works for garden houses development	Construction	A private real estate development company	October 2016	375.8	91.3
Main contractor with maintenance and improvement works for cemeteries	Alteration and addition	A private not-for-profit cemetery organisation	December 2016	25.0	6.4

Note:

- (1) Included alteration and addition and construction works carried out under term contracts which comprise various numbers of variation work orders issued under such contract. The contract sum only represents the estimated amount of the contract works and variation work orders under such contract or estimated average annual expenditure of such customer under the term contract as at 4 December 2015 whereas the revenue recognised during the Track Record Period represent the actual amount of works performed by our Group.

Operating Process

Our alteration and addition and construction business has almost the same operating process as our fitting-out business.

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Operating Results

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, revenue generated from alteration and addition and construction business amounted to HK\$309.8 million, HK\$670.4 million, HK\$308.9 million and HK\$387.3 million, respectively, representing 17.7%, 41.1%, 13.2% and 14.3%, respectively, of our total revenue from continuing operations.

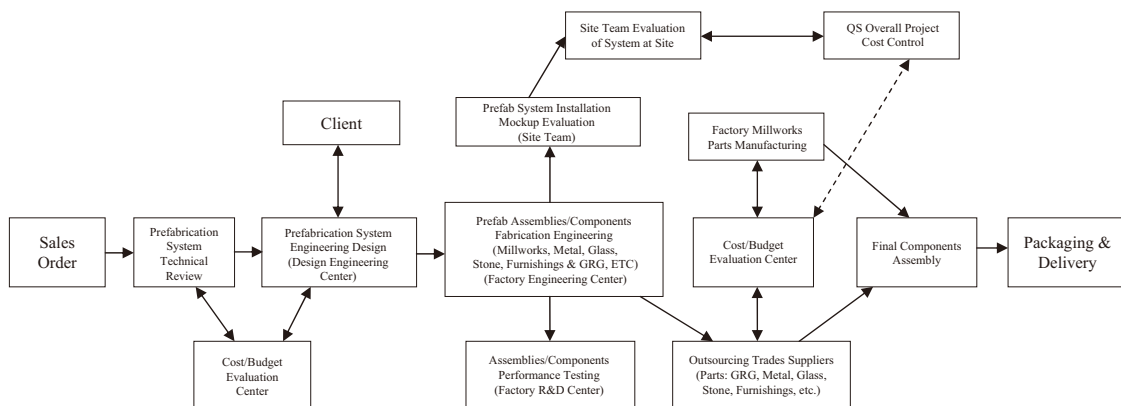
MANUFACTURING, SOURCING AND DISTRIBUTION OF INTERIOR DECORATIVE MATERIALS

We manufacture interior decorative materials through Dongguan Sundart. The interior decorative materials manufactured by Dongguan Sundart are sold either by Dongguan Sundart directly within the PRC or through our trading subsidiaries, Sundart International or Sundart International (Macau), outside the PRC. We acquired the entire equity interest of Sundart Living in October 2010, as a result of which, Dongguan Sundart, our largest timber product supplier since 2010 became our indirect wholly-owned subsidiary. See “History, Development and Reorganisation”.

Established in 1992, Dongguan Sundart is a reputable timber product producer in the PRC that provides timber products for us, and to a lesser extent, for independent third party fitting-out contractors. We received the AWI Qualified Enterprise Certificate awarded by Architectural Woodwork Institute in 2010 and the Certificate of Compliance issued by Underwriters Laboratories Inc. in 2009 for the prefabricated fire door products and prefabricated window frame products developed by us.

As at the Latest Practicable Date, through Dongguan Sundart, we had one manufacturing plant and a warehouse located in Dongguan, Guangdong Province, the PRC with an aggregate GFA of 40,260.9 sq.m.

For illustrative purposes, the flow of our manufacturing process is outlined below:



After we receive pre-fabrication orders internally or from our external customers, our engineering team will elaborate the design intention and from there to propose a better construction method and fixing details based on their technical review on the construction documents. Most of the items required for the project, if possible, will be re-engineered and pre-fabricated in the form of components. Subsequently, our engineering team will further elaborate the initial pre-fabrication engineering proposal and provide estimate on the time and costs saving impact that can brought by the pre-fabrication, both of which will be submitted to our customer for approval. Upon our customers’ approval on the pre-fabrication engineering plan, detailed component design will be developed by our engineering team. Generally, we

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will build up mock-up sites in our factory to evaluate the practicability and the cost-saving effect of our pre-fabrication works. We will also test the performance of each of our components, such as reaction to fire, durability and discoloration. To work more efficiently, we invite our site teams, project owner's representatives as well as the project designers to inspect our mock-up sites before our components are mass produced. After all parties confirmed the detailed component design, components will be mass produced either by us or our long-standing suppliers in accordance with the detailed component design. If the components are mass produced by our suppliers, other than providing our design for the production, we will also assign our engineering staff to monitor onsite to ensure the quality and precision. Upon the completion of component production and subsequent quality inspection, we will assemble components to final assemblies to be delivered to the project site for installation.

We have established systematic inspections at each stage of our manufacturing process, from raw material procurement to finished products, to ensure the quality of our products. Raw materials that fail to pass our incoming inspection are removed from our manufacturing process and returned to the suppliers. We have established guidelines for manufacturing timber or other products that meet customer specifications.

To ensure we procure timber for manufacturing from legitimate sources, we only purchased wood certified by the Forest Stewardship Council ("FSC") from our suppliers. Dongguan Sundart received the Forestry Chain of Custody Certification awarded by FSC in April 2012, for the procurement of FSC-certified timber. In addition, we also check timber species to be purchased to see if they appear on the endangered species list published by Convention on International Trade In Endangered Species of Wild Fauna and Flora (CITIES). Our Directors believe that such measures implemented are sufficient to ensure we procure timber from legitimate sources.

During the Track Record Period, the majority of the interior decorative materials manufactured by us were sold internally to subsidiaries of our Group, and to a lesser extent, to independent third party fitting-out contractors. The following table sets out the historical transaction amounts between our Group and manufacturing, sourcing and distribution interior decorative materials business segment and the relevant percentages during the Track Record Period.

	Year ended 31 December						Eight months ended	
	2012		2013		2014		31 August 2015	
	<i>HK\$ in millions</i>	%	<i>HK\$ in millions</i>	%	<i>HK\$ in millions</i>	%	<i>HK\$ in millions</i>	%
Purchase amount from manufacturing, sourcing and distribution of interior decorative materials business segment and percentage of our Group's total purchase from continuing operations	128.0	11.0%	101.1	8.2%	126.0	7.1%	122.1	6.1%
Sales amount to our Group and percentage of total sales amount of manufacturing, sourcing and distribution of interior decorative materials business segment	128.0	41.0%	101.1	58.4%	126.0	74.0%	122.1	95.0%

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After internal elimination, revenue generated from our manufacturing, sourcing and distribution of interior decorative materials business was HK\$184.2 million, HK\$71.9 million, HK\$44.2 million and HK\$6.4 million for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, respectively, representing 10.5%, 4.4%, 1.9% and 0.2%, respectively, of our revenue from continuing operations.

For sales internally to subsidiaries of our Group, we decide the quotation based on the estimated costs plus a mark-up margin, same as our external customers. Our Directors believe that the sales between Dongguan Sundart and other subsidiaries of our Group were conducted on an arms' length basis.

In addition, pursuant to relevant PRC transfer pricing regulations, our internal sales of interior decorative materials may be subject to transfer pricing adjustment by competent PRC taxation authority. Under relevant PRC rules and regulations, enterprises must prepare materials in relation to their affiliated transactions occurred in the tax year and submit them to competent PRC taxation authority, except for certain standards can be met thus exemptions can be relied on. See "Regulatory Overview — PRC Laws and Regulations — Transfer pricing of affiliated transactions". During the Track Record Period, our affiliated import and export transactions which may be subject to transfer pricing regulations amounted to HK\$174.8 million, HK\$26.6 million, HK\$154.9 million and HK\$126.0 million, respectively, all of which were below the threshold of RMB200 million for affiliated purchase and sales. Therefore, no materials in relation to our affiliated transactions have been prepared and submitted to relevant taxation authority. Therefore, our Directors believe we had complied, in material respects, the applicable laws and regulations in relation to transfer pricing in the PRC during the Track Record Period and up to the Latest Practicable Date. We will keep monitoring any future changes to relevant laws and regulations to assure our compliance.

SALES AND MARKETING

Our projects were mainly awarded by way of tenders invited or quotations requested by our customers directly during the Track Record Period. The tender price of our fitting-out projects is based on our estimated project costs plus a mark-up margin. See "— Fitting-Out Business — Operating Procedures — Tender Process — Pricing".

Our Directors consider that our reputation and ranking in the industry, our past project references, our technical expertise and our good relationships with customers, which are mainly property developers, hotel owners and main contractors, are our strengths to explore future projects. Our executive Directors are generally responsible for maintaining customers' relationship and keeping abreast of market developments and potential business opportunities and our senior project managers are responsible for the daily relationship maintenance with our customers. Our Directors consider that our existing sales and marketing efforts and ongoing business diversifications are sufficient to maintain relationships with existing customers and attract potential customers. Therefore, we did not and currently have no plan to carry out any significant marketing activities such as massive advertisement.

OUR CUSTOMERS

During the Track Record Period, the majority of our revenue were derived from our fitting-out projects in private sector. Therefore, almost all of our customers are either property developers, hotel owners or main contractors in Hong Kong or Macau. For the years ended 31 December 2012, 2013 and

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2014 and the eight months ended 31 August 2015, sales to our five largest customers accounted for approximately 40.8%, 50.2%, 67.6% and 66.9% of our revenue from continuing operations, respectively, and sales to our largest customer accounted for approximately 10.2%, 11.6%, 21.2% and 19.0% of our revenue from continuing operations, respectively.

The following table sets forth the details of our top five customers for the periods indicated.

For the year ended 31 December 2012

Customer	Background	Nature of work	Revenue for the year (HK\$'000)	% of our revenue from continuing operations	Length of business relationship with us as at the Latest Practicable Date
Customer A	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 30 June 2015 amounted to HK\$55,245 million	Fitting-out works for one hotel project and two residential property projects	178,071	10.2	19 years
Customer B	A subsidiary of a hotel operator listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amount to HK\$5,838 million	Fitting-out works for one hotel project	165,707	9.5	10 years
Customer C	A subsidiary of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 March 2015 amounted to HK\$8,317 million	Fitting-out works for one monastery project	144,459	8.2	20 years
Customer O	A PRC incorporated private company engaging in trading of fitting-out and interior design materials with a registered capital of RMB500,000	Sales of timber products for two hotel projects	114,512	6.5	2 years
Customer D	A subsidiary of a construction company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 March 2015 amounted to HK\$846 million	Fitting-out projects for two residential property projects	112,844	6.4	6 years

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For the year ended 31 December 2013

Customer	Background	Nature of work	Revenue for the year <i>(HK\$'000)</i>	% of our revenue from continuing operations	Length of business relationship with us as at the Latest Practicable Date
Customer E	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to HK\$24,259 million	Fitting-out works for one hotel project and five residential property projects	190,148	11.6	14 years
Customer A	Subsidiaries of a property developer listed in Hong Kong and the revenue of the listed parent company for the year ended 30 June 2015 amounted to HK\$55,245 million	Fitting-out works for one hotel project and three residential property projects	179,613	11.0	19 years
Customer F	A subsidiary of a chain catering service company which operates over 400 restaurants and shops in Hong Kong	Alteration and addition works for a food factory	170,078	10.4	4 years
Customer H	A subsidiary of a property development company listed in Hong Kong and the revenue of the listed parent company, being our former shareholder held 15% interest of our Company before December 2014, amounted to HK\$322 million for the year ended 31 March 2015	Construction work for one building redevelopment project	156,578	9.6	4 years
Customer G	A subsidiary of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 March 2015 amounted to HK\$2,655 million	Fitting-out works for one residential property project	123,238	7.6	3 years

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For the year ended 31 December 2014

Customer	Background	Nature of work	Revenue for the year <i>(HK\$'000)</i>	% of our revenue from continuing operations	Length of business relationship with us as at the Latest Practicable Date
Customer I	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to HK\$14,011 million	Fitting-out works for two hotel projects, one residential property project and one commercial property project	497,413	21.2	19 years
Customer J	Subsidiaries of a casino and hotel operator company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to US\$9,505 million	Fitting-out works for seven hotel projects	370,690	15.9	9 years
Customer K	Joint venture formed by the subsidiaries of two listed companies in Hong Kong engaging in property development and the revenue of the two listed parent companies for the year ended 31 March 2015 amounted to HK\$9,323 million and HK\$9,476 million, respectively	Fitting-out works for two hotel projects	317,323	13.6	2 years
Customer L	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to HK\$119,997 million	Fitting-out works for five residential property projects and one retail shopping mall project	244,681	10.5	18 years
Customer M	A Hong Kong incorporated private construction company wholly owned by a family member (as defined in Listing Rules) of the substantial shareholder of a property development company listed in Hong Kong and the revenue of such listed company for the year ended 31 March 2015 was HK\$2,655 million	Fitting-out works for one residential property project	148,831	6.4	3 years

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For the eight months ended 31 August 2015

Customer	Background	Nature of work	Revenue for the period (HK\$'000)	% of our revenue from continuing operations	Length of business relationship with us as at the Latest Practicable Date
Customer J	Subsidiaries of a casino and hotel operator company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to US\$9,505 million	Fitting-out works for seven hotel projects	513,069	19.0	9 years
Customer K	Joint venture formed by the subsidiaries of two listed companies in Hong Kong engaging in property development and the revenue of the two listed parent companies for the year ended 31 March 2015 amounted to HK\$9,323 million and HK\$9,476 million, respectively	Fitting-out works for two hotel projects	490,688	18.2	2 years
Customer I	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to HK\$14,011 million	Fitting-out works for two hotel projects, two residential property projects and two commercial property projects	378,022	14.0	19 years
Customer N	Construction company, a subsidiary of a public company listed in Australia and the revenue from continuing operations of the listed parent company for the year ended 31 December 2014 amounted to AUD16,876 million	Fitting-out works for one casino project	237,285	8.8	1 year
Customer E	Subsidiaries of a property development company listed in Hong Kong and the revenue of the listed parent company for the year ended 31 December 2014 amounted to HK\$24,259 million	Fitting-out works for two hotels, four residential property projects and one commercial property project	185,093	6.9	14 years

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Generally, projects are awarded to us on a project basis and are non-recurring in nature. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term contract with any of our customers. The terms and conditions of the agreements with our customers vary from customer to customer and were generally in line with the market practice. The major terms and conditions typically include the following:

- **name and location of the project:** The name and location of the project site which our works are to be carried out.
- **contract period:** The duration of time we are allowed to carry out the projects. We are required to follow the specified pre-determined work schedule. Such schedule may be extended from time to time pursuant to the terms of the contract.
- **scope of work:** The type and scope of fitting-out works we are required to provide.
- **payment terms:** The credit terms for the settlement of payment by our customers vary from contract to contract. Depending on the terms and conditions of the contracts, the credit term generally ranges from 30 to 45 days after the issuance of the payment request sheet or payment certificate.
- **liquidated damages:** The amount of liquidated damages payable by us per day if we fail to complete the fitting-out works or alteration and addition and construction works on schedule. The contract period may be extended from time to time pursuant to the terms of the contract. The liquidated damages paid due to our failure to complete fitting-out works or alteration and addition and construction works on schedule (net of refund upon our customers' confirmation that such delay was caused by the late instruction of property owner) involving eight projects undertaken by our Group during the Track Record Period and up to the Latest Practicable Date amounted to approximately HK\$13.2 million, among which, (i) we paid approximately HK\$12.3 million, HK\$9.5 million and HK\$0.8 million prior to the Track Record Period, for the year ended 31 December 2014 and the eight months ended 31 August 2015, respectively; and (ii) approximately HK\$5.3 million and HK\$4.1 million were refunded to us for the years ended 31 December 2012 and 2013 respectively. Our Directors are of the view that such liquidated changes were not material as compared with our total revenue and had no material adverse effect on our results of operations.
- **retention money:** The contract term for the customers to hold up retention money of normally 10% from each progress payment until a particular percentage of the total contract sum is reached. Normally, our customers may hold up a retention money of up to 5% of the total contract sum. Generally, the first half of the retention money is released upon the issue of certificate of practical completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defects after the expiry of the defect liability period.
- **performance bonds:** Sometimes we are required by our customers to provide performance bonds issued by a bank in their favour to secure our due and timely performance. Generally, the amount of performance bond required for a project provided by us would not exceed 10% of the total contract sum and the performance bond normally expires upon issuance of the certificate of practical completion or issue of certificate of completion of making good defects after the expiry of the defect liability period.
- **advance payment:** Our customers in Hong Kong normally do not pay any deposit after the contract execution and before the first progress payment while our customers in Macau normally pay a deposit ranging from 10% to 20% of the contract price upon the contract execution. In case where advanced payment is provided by our customer, we may be required to provide advanced payment bonds for equal amount as guarantee of repayment of such advanced payment to the customer.

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- default:** We may be held in default of the contract if we, among the others, fail to complete the works within the specified contract period or the extended contract period (where applicable); fail to remedy or make good the defective works, if any, as requested by our customer; or go into liquidation or enter into any repayment scheme or arrangement with any of our creditors.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company had any interest in our five largest customers during the Track Record Period, except for Customer H, which was a subsidiary of our former shareholder of our Company, before Jangho HK acquired the entire interest in our Company in December 2014.

Up to 31 October 2015, 49.4% of the amounts due from our customers for contract work as at 31 August 2015 were certified by surveyors and transferred to trade receivables.

SUPPLIERS AND SUBCONTRACTORS

Our suppliers include subcontractors and manufacturers or distributors of raw materials. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, purchases attributable to our five largest suppliers and subcontractors amounted to HK\$201.8 million, HK\$281.1 million, HK\$485.4 million and HK\$461.3 million, respectively, representing approximately 17.4%, 22.8%, 27.4% and 23.0% of our total purchase from continuing operations. During the same periods, purchases attributable to our largest supplier amounted to HK\$45.7 million, HK\$86.2 million, HK\$165.1 million and HK\$145.6 million, respectively, representing approximately 3.9%, 7.0%, 9.3% and 7.3% of our total purchase from continuing operations.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company had any interest in our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period is connected to our Group.

The following table sets forth the details of our top five suppliers and subcontractors during the periods indicated.

For the year ended 31 December 2012

Supplier/subcontractor	Background	Purchase for the year (HK\$'000)	% of our total purchase for continuing operations	Length of business relationship with us as at the Latest Practicable Date
Subcontractor A	Private marble producer	45,706	3.9	10 years
Subcontractor B	Private marble producer	43,611	3.8	12 years
Subcontractor C	Private construction company	40,481	3.5	4 years
Subcontractor D	Private consultancy and construction company	40,187	3.5	4 years
Supplier E	Private timber product manufacturer	31,783	2.7	16 years

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For the year ended 31 December 2013

Supplier/subcontractor	Background	Purchase for the year (HK\$'000)	% of our total purchase for continuing operations	Length of business relationship with us as at the Latest Practicable Date
Subcontractor C	Private construction company	86,209	7.0	4 years
Subcontractor A	Private marble producer	50,262	4.1	10 years
Subcontractor F	Private maintenance and engineering company	49,985	4.0	11 years
Subcontractor B	Private marble producer	48,354	3.9	12 years
Subcontractor G	Private aluminium window producer	46,263	3.8	4 years

For the year ended 31 December 2014

Supplier/subcontractor	Background	Purchase for the year (HK\$'000)	% of our total purchase for continuing operations	Length of business relationship with us as at the Latest Practicable Date
Subcontractor H	Private marble producer	165,118	9.3	6 years
Subcontractor I	Gypsum board products/limited private company	99,076	5.6	2 years
Subcontractor J	Private marble producer	94,926	5.4	3 years
Supplier E	Private timber product manufacturer	70,324	4.0	16 years
Subcontractor A	Private marble producer	55,992	3.1	10 years

For the eight months ended 31 August 2015

Supplier/subcontractor	Background	Purchase for the period (HK\$'000)	% of our total purchase for continuing operations	Length of business relationship with us as at the Latest Practicable Date
Subcontractor C	Private construction company	145,590	7.3	4 years
Subcontractor K	Private construction company	87,980	4.4	1 year
Subcontractor J	Private marble producer	81,738	4.0	3 years
Subcontractor L	Private fitting-out works company	75,814	3.8	16 years
Supplier E	Private timber product manufacturer	70,164	3.5	16 years

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Procurement, Allocation of Resources and Pre-fabrication

Depending on the requirements of our customers, we may be responsible for purchasing interior decorative materials such as timber product, marble, metal hardware and sanitary ware for purpose of the fitting out projects, while in the other case our subcontractors may be responsible for purchasing all such materials for purpose of the fitting-out projects in accordance with their contracts with us. Our procurement department sources materials, invites quotations, conducts price evaluation and negotiation, undertakes procurement of materials and equipment, and allocates resources for all projects and aligns demands for each project. This centralised procurement and resources allocation system enables us to make bulk purchases in order to achieve cost savings, and to coordinate the allocation of our existing resources among different sites in order to maximise utilisation of resources.

Proposed materials, together with actual sample, if possible, will be approved by the customer prior to order. Generally, our suppliers offered us credit terms of thirty days after receipt of goods. We have maintained good working relationship with our suppliers and, barring unforeseeable circumstances, do not foresee any difficulties in sourcing materials in the future.

Unless our customers require us to engage suppliers nominated by them, we select our suppliers from our approved list of suppliers based on their past performances and their capability to comply with the specified project requirements and only listed suppliers are invited to submit quotations. Generally, we have more than one supplier as our candidates for the same material. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty in material procurement. Therefore, our Directors consider that we do not overly rely on any of our suppliers and we are able to engage alternative suppliers if necessary.

We do not have long-term contracts with any of our suppliers. Our purchase contracts are entered with our suppliers on an order-by-order basis, which generally specify the type, quantity, price and delivery of the material that we purchased. The price is determined by reference to the market price at the time. However, as we do not enter into any purchase contracts with our suppliers until the project has been awarded to us, we may not be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our tender document. See “Risk Factors — Risks Relating to Our Business — Our profit may be substantially reduced if there are changes in our subcontracting and material costs after tender”.

Subcontracting

As a fitting-out contractor, we are responsible for overall project implementation. Generally, depending on the nature of the fitting-out works, we employ our own workers to handle more complicated parts of the project such as certain joinery and marble works, and outsource certain labour intensive works, such as plastering and painting works, to subcontractors by entering into separate contracts with them.

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Our Arrangements with Subcontractors

The terms of our contracts with our subcontractors may vary depending on the terms of the main contracts with our customers or the main contractors (as the case may be), but we generally adopt the following principal terms in our contracts with subcontractors in order to protect our interest:

- (i) restrictions on our subcontractors from further assignment or subcontracting of works without our permission;
- (ii) deposit generally ranging from 10% to 20% of the contract sum;
- (iii) retention money of 5% of the contract sum;
- (iv) subcontractors' obligations to maintain works in good repair and condition during the defect liability period;
- (v) early termination whereby we may terminate the subcontracts forthwith with cause by giving notice to the subcontractors such that we will reserve the rights to seek for remedies.

Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees. Fitting-out works are labour intensive works and we rely on workers with different skills for our fitting-out works. Given the variety of works undertaken by us, we may involve technical staff and labour with a wide variety of specialised skills at each stage. Subcontracting provides a flexible means of meeting fluctuating workload and maximising the utilisation of expertise in the industry.

Our Relationship with Subcontractors

We do not enter into long-term contract with our subcontractors. Instead, we maintain long-standing working relationship with them. As at the Latest Practicable Date, we had over 200 subcontractors, of which over 100 subcontractors have five years or above of working relationship with us. The long-standing relationship with subcontractors enables us to have comprehensive assessment of our subcontractors over years so as to better control the quality and schedule of works in the long run. With the relatively large pool of approved subcontractors in our pre-qualified list, our Directors do not foresee any difficulties in finding substitute subcontractors should that become necessary.

For any given project, we select subcontractors based on a number of parameters including the requirements in the main contract with our customer, previous cooperation experience and our evaluation of their performance from the list of pre-qualified subcontractors maintained by us which is regularly reviewed and updated.

As at the Latest Practicable Date, all of our subsisting subcontractors were Independent Third Parties. Unless the customers require us to engage subcontractors nominated by them, we will select subcontractors from our pre-qualified list of subcontractors. In addition, we perform monthly assessment on our subcontractors in the pre-qualified list, including their workmanship, progress control, safety, environment/pollution control, organisation and resources. In doing so, apart from the daily site visits made by our project managers to ensure general compliance by subcontractors in all respects and regular

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site visits made by our safety officers and environmental officers to particularly uphold our safety and environmental requirements, we maintain records of non-compliance regarding safety, environmental and other issues, of our subcontractors. In addition, during the continuance of the contracts with our subcontractors, we will supply them with our internal guidelines on safety and environmental issues and require them to follow. We will regularly hold meetings with our subcontractors to update their knowledge on such issues and carry out supervision on our subcontractors on a continuing basis to monitor if they comply with our internal guidelines.

We are committed to prohibiting recruitment of illegal workers and when recruiting employees, whether in our offices or the sites for which we are responsible, we would check the identification documents provided by the candidates. We would report to the police when we come across any candidate with suspicious identity. During the Track Record Period, no illegal workers have been reported in the sites for which we are responsible. In addition, the contracts with our subcontractors have express provisions to prohibit them from hiring any illegal workers and we require our subcontractors to carefully check the identification documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

Subcontracting Charges and Payment to our Subcontractor

Based on our long-standing relationship with our subcontractors, we are familiar with their charging rates for various scopes of work. Therefore, we take into account the rate of subcontracted works of comparable scope and size as charged by our subcontractors in other recent projects in determining the tender price. Reference will also be made to market labour prices movement to estimate potential adjustments in subcontracting costs. We normally obtain fixed-price quotations from our subcontractors after receipt of the contract awarded by our potential customers. If we accept the quotation and the terms and conditions contained therein, we will counter-sign the quotation and return it to the subcontractor as our acceptance. Our Directors are of the view that leveraging on our experience and expertise in this industry and our long-standing relationships with our subcontractors, we have been able to manage the pricing risk involved given the difference in timing of our tender awards and our subcontractors providing the quotation. For projects which involve higher level of complexity or of larger scale, we may obtain pre-bid quotations from our subcontractors before submitting our tender.

Generally, we pay a deposit of up to 30% of the contract sum for subcontracting of supply and installation. After the commencement of the project, we pay our subcontractors on a monthly basis with reference to the value of the works done and if the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for subcontractors on similar basis. Each of the subcontractors is required to submit a request for payment to us every month. Once we have verified the subcontractor's request against the actual works done or their payment entitlement according to the milestone payment term, we will release relevant portion of the subcontracting amounts except for retention money. Payments are generally made within one month after we receive and verify the subcontractor's request. The contract terms for the subcontractors to hold up retention money of normally 10% from each progress payment until a particular percentage of the total contract sum is reached. The retention money for each project is normally 5% of the total contract sum, the first half of which is released upon the issue of certificate of practical completion of the project and the second half of which is released upon the issue of certificate of completion of making good defects after the expiry of the defect liability period.

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Liabilities and Control Measures

We are liable to our customers for the performance of our subcontractors under the main contract entered into between us and our customers, which includes acts, defaults or neglects of our subcontractors. We generally require subcontractors to rectify all defects or other faults in the subcontract works that they engaged in within the defect liability period after the project is completed.

In order to manage the progress and quality of work conducted by our subcontractors, we typically engage subcontractors we have cooperated for years. Our QS and project management staff conducts regular review on work progress with the appointed subcontractors. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material shortage in our material procurement from our suppliers or any delayed performance by our subcontractors and we had not received any material claims or complaints from our customers for substandard work of our subcontractors.

JOINT OPERATION

Through Sundart Macau, we established a consortium, Sundart APG Consortium (“**Sundart APG**”) with APG (Macau) Limited (“**APG Macau**”) in 2013. Sundart APG was established for the tender and operation of a fitting-out project for a five-star hotel podium located at Cotai, Macau. Each of Sundart Macau and APG Macau holds 50% of the interest in Sundart APG. APG Macau is a company incorporated in Macau and engaged in exterior wall decoration works. As at the Latest Practicable Date, APG Macau was an Independent Third Party.

The major terms and conditions of our joint operation arrangement include the following:

- the consortium committee, comprising of three members nominated by Sundart Macau and two members nominated by APG Macau, shall be responsible for the management of Sundart APG;
- the operating director (who shall be nominated by Sundart Macau) shall be responsible for the daily operation and management of the project, with the assistance of the deputy operating director (who shall be nominated by APG Macau);
- the project work shall be allocated to Sundart Macau and APG Macau by the consortium committee and the project revenue and costs will be shared in proportion to their respective work, despite the equal interest they hold in Sundart APG;
- Sundart Macau and APG Macau shall be jointly liable for the overall performance of Sundart APG under the project agreement;
- if the project work allocated to one party has been delayed for more than two months, the other party shall have the right to take over the work upon prior written request provided to the delaying party; and
- the administrative costs shall be shared equally by Sundart Macau and APG Macau.

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MACHINERY AND EQUIPMENT

As at 31 August 2015, the net book value of our plant and machinery amounted to HK\$9.3 million which mainly comprise our manufacturing facilities in Dongguan Sundart.

We did not in the past rely on and do not expect to rely on significantly any machinery and equipment in the future in our fitting-out business and alteration and addition and construction business.

CREDIT MANAGEMENT

We do not have a standardised and universal credit period granted to our customers. Our credit period for individual customers is considered on a case-by-case basis and set out in the project contracts, as appropriate. We have received payments from our customers in the form of advance payment, progress payment and the return of retention money. For some of the projects, our customers may make an advance payment to us upon the commencement of the projects. Our customers usually retain 5% of the total contract value of the projects as retention money. The remaining balance is mainly paid in the form of progress payment to be billed based on the progress of the project.

The provision for impairment of trade receivable, including retention money, is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that our Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivables, including retention money, is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectibles. If any trade receivable, including retention money, is overdue for six months, our accounting staff will discuss with our Directors and/or senior management about the recoverability of such overdue trade receivable or retention money. If our Directors and/or senior management have doubt, bad debt provision will be made accordingly and assessment as to whether to collect the debt through external legal counsel will be made. If there is still no further progress after it has been overdue for one year, our accounting staff will seek approval from our Directors and/or senior management to write off the same as bad debt unless we have reasonable ground to believe such overdue debts can be collected in the future. As at each of the year/period end during the Track Record Period, we did not have any balance of allowance for doubtful debts.

During the Track Record Period, there were incidents which we failed to receive payments from customers due to commercial dispute, as a result of which bad debts in the sum of HK\$10.2 million were written off. See “Financial Information — Period to Period Comparison of Results of Operations — the Eight Months ended 31 August 2015 Compared to the Eight Months ended 31 August 2014 — Other income, other gains and losses”. We will continue to select our customers by assessing their credit worthiness. Our Directors consider that we have sufficient working capital (in form of cash at banks) and available banking facilities to finance our business and we have never failed to pay any of our suppliers and/or subcontractors due to cash flow problems during the Track Record Period. Although there were incidents which we had withheld payments to suppliers/subcontractors, they were solely due to defective goods and/or services delivered/provided by suppliers/subcontractors. Our Directors confirm that we have never withheld payments to suppliers/subcontractors because of insufficient cash flow of our Group.

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BUSINESS ACTIVITIES IN SANCTIONED COUNTRY

During the Track Record Period, we (i) carried out fitting-out works as a sub-contractor for two hotel projects in the Sanctioned Country; and (ii) sold to Yantai Shentong Import Export Company Limited, being our customer in the PRC, certain timber products which, to the best knowledge of our Directors, were ultimately supplied to the said hotels in the Sanctioned Country (“**Russia-related Business**”), and our Russia-related Business was discontinued by the end of 2013. Negotiations with respect to continuing the fitting-out works aspect of the Russia-related Business continued in 2014. These negotiations subsequently failed. From 1 January 2014 up to the Latest Practicable Date, we had not carried out Russia-related Business in nor had we derived any revenue from the Sanctioned Country or, to the best knowledge and belief of our Directors, with any Sanctioned Person. For the years ended 31 December 2012 and 2013, the revenue from our Russia-related Business accounted for approximately 10.1% and 7.1%, respectively, of our total revenue from continuing operations. For the year ended 31 December 2014, we reversed the accrued but uncollected revenue of HK\$44.2 million thus recorded a gross loss of HK\$45.2 million. Our Directors confirm that we do not have any present intention to undertake any future business in the Sanctioned Country, or with any Sanctioned Person, or which would otherwise be in breach of the United States, EU and Australian Sanctions.

We have been advised by our Sanctions Law Legal Advisers that there are no sanctions administered by the United States, the EU or Australia that would impose restrictions generally against our Russia-related Business. Our Sanctions Law Legal Advisers have also advised that there is very low risk that our discontinued Russian-related Business was or would be deemed by the relevant prosecuting authority to have been prohibited activity under the sanctions administered by the United States, the EU or Australia in relation to the Sanctioned Country. Our Directors confirmed that to the best of their knowledge after reasonable enquiry, none of our contract counterparties in relation to our Russia-related Business was specifically designated as sanction targets under any of the applicable EU, United States or Australian sanctions lists at the relevant time. Further, our Sanctions Law Legal Advisers have advised that there is either no or very low sanction risk posed to our Company, its investors, Shareholders and the Stock Exchange and its related group companies in relation to our Russia-related Business. In relation to the EU sanctions concerning the Sanctioned Country, on the basis that the Russia-related Business has not been conducted since the relevant EU sanctions came into force, the Russia-related Business presents a very low sanctions risk.

Our undertakings and internal control procedures

We have undertaken to the Stock Exchange that:

- (i) we will not use any of the proceeds from the Global Offering, or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any activities or business in breach of the United States, EU and Australian Sanctions;
- (ii) we will disclose on the websites of the Stock Exchange and our Company if we believe that the transactions entered into by us would put us or our Shareholders or investors at risk of being in breach of the United States, EU and Australian Sanctions; and
- (iii) we will disclose in our annual reports or interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Country and our business intention relating to the Sanctioned Country.

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If we were in breach of the above undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

Further, in order to monitor our exposure to sanction risks and to ensure compliance with our undertakings to the Stock Exchange, we have adopted the internal control measures below:

- (i) we will maintain an updated log based on the publicly available sanction lists, such as the sanction lists maintained by the United States, the EU and Australia, and disseminate the updated sanction lists to our sales and marketing team on a regular basis to promote staff awareness in general and to facilitate effective monitoring of sanction laws and orders;
- (ii) we will establish an internal control committee, comprising two of our Directors, Mr. Pong Kam Keung, who has legal education background and Mr. Xie Jianyu, who has around 10 years experience in overseeing the financial operations, to monitor our exposure to sanctions law risks and our implementation of the related internal control procedures. See “Directors and Senior Management — Board Committees — Internal control committee”;
- (iii) our internal control committee will screen new business or clients which may have a risk of breach of the sanctions laws of the United States, the EU and Australia to ensure our business will not be in breach of such sanction laws; and
- (iv) we will seek advice from reputable external legal advisers if any potential sanctions risk is identified.

Our Directors are of the view, and the Sole Sponsor concurs, that the above internal control measures will provide a reasonably adequate and effective internal control framework to assist us in identifying, monitoring and mitigating any material risk relating to sanctions laws.

RESEARCH AND DEVELOPMENT

We have accumulated a high degree of expertise in fitting-out works. As at the Latest Practicable Date, we had a research and development center located in Dongguan, the PRC, consisting of six members, who primarily focus on technical innovations to be applied in our projects and technical improvements to meet our customers’ request. Our total research and development costs, primarily consist of our research and development staff costs, were HK\$0.5 million, HK\$0.5 million, HK\$0.7 million and HK\$0.5 million, respectively, for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015.

We apply the technologies developed through our research and development efforts in our fitting-out projects and have improved our work efficiency and the quality of our fitting-out works. For example, we have applied the following technical innovations in our projects:

- **“snap-on” system for wall trimming installation.** We have adopted an innovative “snap-on” system for wall trimming installation. The “snap-on” wall trim has a pre-formed grooves line at the backside, which will be snapped onto an extruded vinyl clip strip instead of using conventional nails or staples. By introducing this technical innovation, we are able to achieve easy site installation and improve the quality of the wall trim.

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- **aluminium ceiling.** Conventionally, the material of the ceiling is GRG, and we will need individual skilled workers to shape the GRG and paint on it onsite. Thus, it takes a long time for workers to complete all and the quality of the work may vary. Therefore, we introduced aluminium panel to replace GRG in coffer ceiling and featured ceiling works. Aluminium panels are shaped and painted in the factory and then assembled and attached to the metal hanger frame onsite. The adoption of aluminium panels can improve the consistent quality of the ceiling work and reduce our labour costs.
- **special painting on PVC sheet.** From time to time, our customers may request for special hand painting on the wall instead of wall paper. To avoid the reliance on skilled painters working onsite and the long working time, we introduced the special painting technique to be applied on PVC sheet, depends on the customers' request on thickness. We have skilled painters in our factory who focus on painting on the PVC sheet in accordance with the design, which will be inspected by the designer before we attach them to the walls onsite.
- **tailor-made screw nails.** Conventionally, to attach the panel to the wall, workers need to drill a hole, screw the nails and apply the nuts. This working procedure is time-consuming and under certain circumstance impracticable for us as sometimes the back of the panel cannot be reached. Therefore, we design certain screw nails with special screw tip and use special steel as raw material. Our tailor-made screw nails can be screwed into the panel directly by electric screwdriver without drilling a hole and applying the nuts, while providing the same stable adhesion power.

Our research and development team will, on an ongoing basis, try to research, develop and commercialise technical innovations to be applied in our projects and technical improvements to meet our customers' request and also to better reduce our costs. In addition, we intend to further reduce our costs by developing alternative decorative materials with same performance but at lower costs and further refine our re-engineering and pre-fabrication process to improve the efficiency.

QUALITY CONTROL

Our Directors believe that our results and hence our profits depend on our ability to meet our customers' and the end-users' requirements in all respects. In pursuit of quality excellence, we have established formal quality management system in accordance with the requirements of ISO 9001:2008 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term, project based approach. See "Business — Major Certifications and Awards".

Our quality management system is set out in our quality manual. Our quality management system is carried out throughout the fitting-out work process from the material procurement stage to the completion stage to ensure the project meets the standards required by each of our customers.

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We decide the engagement of the subcontractors and qualification of personnel of a particular project depending on the nature and complexity of the project and the availability of the resources at the time. Our project management team, which comprises of our project manager and QS staff in the respective project, has carried out regular site inspection to check the work quality and progress by ourselves as well as our subcontractors and held progress meetings with our customers to ensure that the works executed at each stage meet the requirements of each customer. Our Group has procedure and quality manuals for all of our staff to follow.

ENVIRONMENT

Fitting-out works inevitably have an impact on the environment and our fitting-out business, whether in Hong Kong or Macau, is subject to certain laws and regulations in relation to environmental protection. See “Regulatory Overview”. Our Directors believe that it is essential for us to act as an environmentally responsible fitting-out contractor to meet the customers’ demands in environmental protection and the expectation of the community for a health living environment and in return it will ensure the healthy growth and development of our business.

With respect to our operations in Hong Kong and Macau, we are committed to minimise of any adverse impact on the environment resulting from our business activities. In addition, in order to comply with the applicable environmental protection laws, we have established an environmental management system in our operations in Hong Kong in accordance with ISO 14001 international standards. Our subsidiaries, Sundart Timber was awarded ISO 14001 certification by HKQAA in 2010 and Kin Shing was awarded ISO 14001 certification by HKQAA in 2011. We assign separate resources to update our environment management system and maintain our ISO 14001 certification in order to reduce our risks related to environmental issues.

Our operations in the PRC through Dongguan Sundart primarily affect the environment by generating air pollutant and producing dust. We have installed in our plant dust-removal systems to discharge dust pollutant and air-purification systems to discharge air pollutant. As at the Latest Practicable Date, Dongguan Sundart had three employees conducting regular inspection on our plant to ensure compliance with our internal measures for environment protection. Dongguan Sundart was awarded ISO 14001 certification by HKQAA in 2012.

We require our subcontractors to comply with our environmental protection policy. We also encourage our staff to contribute towards sustainability by planning their works to efficiently eliminate waste to the maximum extent with a view to achieving long-term cost savings.

During the Track Record Period, the aggregate annual cost of compliance with applicable environmental laws and regulations in Hong Kong, Macau and the PRC was approximately HK\$4.5 million, HK\$1.4 million, HK\$3.4 million and HK\$7.4 million, respectively, and primarily consisted of waste disposal fee. During the Track Record Period and up the Latest Practicable Date, our Group had no material non-compliance or violations on any laws and regulations in relation to environmental protection.

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SAFETY

Our Directors are of the view that if safety is not managed properly, it can be extremely costly not only in human terms, but in monetary terms as well. Therefore, safety is treated as the highest priority during the rendering of our services and we are committed to providing a safe and healthy working environment for the benefit of our staff, our subcontractors and the general public.

We have established a work safety management system in our operations in Hong Kong in accordance with ISO 18001 international standards. Our subsidiaries, Sundart Timber was awarded ISO 18001 certification by HKQAA in 2011 certifying its occupational health and safety management system complies with the requirements of OHSAS 18001:2007 occupational health and safety management systems specification applicable to provision of project management of contracting, interior design and fitting out works and Kin Shing was awarded ISO 18001 certification by HKQAA in 2011 certifying its occupational health and safety management system complies with the requirements of OHSAS 18001:2007 occupational health and safety management systems specification applicable to construction of buildings, building activities to keep, restore and improve the facilities of buildings and surroundings. The ISO 18001 certificate awarded to Sundart Timber had been recertified/extended by HKQAA in August 2014, which will be expired in August 2017 and the ISO 18001 certificate awarded to Kin Shing had been recertified/extended by HKQAA in November 2014, which will be expired in November 2017.

We have adopted a preventive approach with an emphasis on hazard management and risk assessment and in addition, we have developed and maintained a safety management system where a record of non-compliance with any safety procedure as well as subsequent remedial measures are properly managed and reviewed in order to manage safety and health at all of the construction sites for which we are responsible and comply with applicable laws and regulations. Our safety system is documented in written procedures and supplemented with oral instructions, training and demonstration. Our Directors require strict implementation of our safety system with supervision by our Group's or the subcontractors' management staff. In Hong Kong, we have employed qualified safety officers approved by the Labour Department in Hong Kong to monitor and implement our safety system. In accordance with section 13 of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong), semi-annual corporate safety audits for Sundart Timber and Kin Shing have been carried out by an external registered safety auditor to collect and assess the information on and suggest improvements to their respective safety management system since November 2012. Such external safety auditor is registered as a safety auditor under section 4(1) of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong). Normally, one project undertaken by each of Sundart Timber and Kin Shing and related workplace will be selected and visited by the safety auditor to verify their respective implementation of safety management system. The objectives and scope of audit include: (i) to determine the conformity of the safety management system elements with the requirements of the Code of Practice on Safety Management issued by the Occupational Safety and Health Branch of the Labour Department; (ii) to determine the efficiency, effectiveness and reliability of the safety management system in meeting the planned arrangements and specified safety objectives and requirements; (iii) to assess the safety performance against the regulatory requirements; and (iv) to provide our Group with an opportunity to continuously improve the safety management system through correction actions. During the audit, physical site inspections, system documents examination and interview of site personnel were conducted. After completion of the audit, a corporate safety report which contains audit details, audit tool, status of project being audited, objectives and scope of audit, audit process and criteria, findings and recommendations and follow-up action plan will be prepared and submitted to the Safety Management Administration Office of the Labour Department of the Government. Based on (i) the safety management system performance of both Sundart

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Timber and Kin Shing since November 2012 and up to November 2015 (being the date on which latest report issued by the external safety auditor prior to Listing) have been continuously rated as being at or above average safety management standard; (ii) the accident rates are below industry average and do not reflect on the materiality of the accident; (iii) the EC claims are filed regardless of which party is at fault; (iv) majority of the accidents were considered by our Directors not severe in nature notwithstanding the number of accidents; and (v) based on the safety control measures our Group has implemented, the external safety auditors are of the view that the safety control measures are adequate and effective in mitigating the risks of recurrence of similar accidents or injuries to workers on our Group's sites in the future. We will continue to conduct semi-annual corporate safety audits for Sundart Timber and Kin Shing upon Listing to monitor and improve our safety management standard, as well as put adequate resources and efforts to uphold and improve our safety management system in order to reduce our risks related to safety issues.

We assign each project one to three certified workers as safety officer(s) or safety supervisor(s) to monitor the working safety management system. To pursue the safety and health of all personnel working on sites, our safety supervisor and safety officer conduct regular internal safety inspections to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties. In addition, we provide safety training to all of our workers at the sites for which we are responsible for compliance with the safety regulations. We require our subcontractors to abide by all legislations, codes and guidelines as well as all safety requirements as stated in our safety manuals and project safety plans and to comply with all current and future enactments relating to their works. We provide our subcontractors with financial allowance to encourage their purchase of safety equipment such as safety footwear and gloves as an incentive. If our subcontractors fail to implement our internal safety guidelines, we impose penalty on them as a warning. For example, a penalty up to HK\$750 and a penalty up to HK\$500 will be imposed on the subcontractor and the worker respectively, if the worker fails to wear safety equipment such as safety footwear, gloves, goggles and life belt and a penalty up to HK\$3,000 will be imposed on the subcontractor if the subcontractor fails to provide and maintain a safe working environment such as providing stable fence around the working platforms. Relevant penalties will be deducted from the fees payable to the subcontractors and used for working safety promotion. We also hold regular meetings with subcontractors to discuss safety issues and to follow up safety measures during the course of projects. We also evaluate our safety measures regularly and in the event of the occurrence of significant accidents, in order to improve safety control and to avoid recurrence of accidents. Subcontractors which failed to follow our safety measures and refused or failed to rectify will be removed from our pre-qualified subcontractor list.

Although we have established comprehensive safety management system and implemented various safety control measures to mitigate safety risks, the occurrence of accidents or injuries to workers on our sites cannot be completely eliminated due to the nature of the works of the fitting-out industry as well as the construction industry. Our Directors are of the view that the occurrence of accidents or injuries to workers on our sites is not uncommon in both fitting-out and construction industries. As at the Latest Practicable Date, we had 21 ongoing employees' compensation claims with no legal proceedings in Hong Kong arising from 21 accidents, all of which occurred within the Track Record Period and up to the Latest Practicable Date. In addition, as at the Latest Practicable Date, we had seven ongoing employees' compensation claims with legal proceedings and five ongoing personal injury claims in Hong Kong arising from 12 accidents, two of which occurred prior to the Track Record Period and 10 of which occurred within the Track Record Period and up to the Latest Practicable Date. Further, as at the Latest Practicable Date, we had one ongoing occupational accident litigation and 16 ongoing occupational accident files being handled by the Labour Affairs Bureau of Macau in Macau. See "— Regulatory Compliance and Legal Proceedings".

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The following table sets forth the comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers of our Group for continuing operations (including our subcontractors working for our projects) against the construction industry average in Hong Kong and Macau:

	Industry average in Hong Kong ⁽¹⁾	Industry average in Macau ⁽²⁾	Our fitting-out works in Hong Kong (including our subcontractors) ⁽³⁾	Our fitting-out works in Macau (including our subcontractors) ⁽³⁾⁽⁴⁾	Our alteration and addition and construction works in Hong Kong (including our subcontractors) ⁽³⁾⁽⁴⁾
2012					
Accident rate per 1,000 workers	44.3	17.5	8.66	13.74	12.20
Fatality rate per 1,000 workers	0.337	0.15	0	0	0
2013					
Accident rate per 1,000 workers	40.8	22.8	9.47	15.82	21.20
Fatality rate per 1,000 workers	0.277	0.20	0	0	0
2014					
Accident rate per 1,000 workers	41.9	23.3	19.39	9.75	25.30
Fatality rate per 1,000 workers	0.242	0.15	0	0	0
Eight months ended 31 August 2015					
Accident rate per 1,000 workers	N/A ⁽⁵⁾	N/A ⁽⁵⁾	9.06	11.89	4.89
Fatality rate per 1,000 workers	N/A ⁽⁵⁾	N/A ⁽⁵⁾	0	0.38	0

Notes:

- (1) Source: Labour Department of the Hong Kong Government; Ipsos research and analysis.
- (2) Source: Labour Affairs Bureau of the Macau Government; Ipsos research and analysis.
- (3) Calculated as the number of accidents during the year/period divided by the average number of workers employed by our Group and our subcontractors during the year/period.
- (4) The accident rate does not reflect the materiality of the accidents and those accidents are generally of low materiality.
- (5) Relevant statistics had not been published as at the Latest Practicable Date.

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From the year ended 31 December 2012 to the year ended 31 December 2014, we experienced an increase in the accident rate per 1,000 workers for our fitting-out works in Hong Kong, primarily due to an increase in the number of reportable accidents primarily caused by our subcontractors' failure to follow our safety measures. We experienced a significant decrease in the accident rate per 1,000 workers for our fitting-out works in Hong Kong for the eight months ended 31 August 2015, primarily due to our enhancement of safety management by increasing safety personnel to monitor and strengthen safety control.

From the year ended 31 December 2012 to the year ended 31 December 2013, although there was a slight decrease in the number of reportable accidents associated with the decrease in the number of projects we worked in Macau in 2013, we still experienced an increase in the accident rate per 1,000 workers for our fitting-out works in Macau, primarily due to a more significant decrease in the number of workers than the decrease in the number of reportable accidents in 2013. We experienced a decrease in the accident rate per 1,000 workers for our fitting-out works in Macau from the year ended 31 December 2013 to the year ended 31 December 2014, primarily due to our enhancement of safety management by increasing safety personnel to monitor and strengthen safety control. The accident rate per 1,000 workers for our fitting-out works in Macau increased slightly for the eight months ended 31 August 2015, primarily due to an increase in the reportable accidents associated with the increase of the workloads and complications of project works in Macau for the eight months ended 31 August 2015. In addition, one of our subcontractors in Macau recorded one fatal accident happened on 17 July 2015 caused by hit by fallen object during a lifting operation. See “— Regulatory Compliance and Legal Proceedings”.

From the year ended 31 December 2012 to the year ended 31 December 2013 and further to the year ended 31 December 2014, we experienced an increase in the accident rate per 1,000 workers for our alteration and addition and construction works in Hong Kong, primarily due to the increase in the number of reportable accidents associated with the increase in the number of our alteration and addition and construction projects since 2013. For the eight months ended 31 August 2015, we experienced a significant decrease in the accident rate per 1,000 workers for our alteration and addition and construction works in Hong Kong, primarily due to our enhancement of safety management by increasing safety personnel to monitor and strengthen safety control.

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The following table sets forth the nature and type of accidents occurred during the Track Record Period and corresponding safety control measures we have or which are in the process of being implemented to prevent the occurrence of similar accidents in the future and protect our own workers and those of our subcontractors.

Nature and type of accident	Safety control measures implemented	Additional safety control measures/ requirements to be implemented
Contusion, bruise, sprain and/or fracture injury caused in connection with failure to follow internal safety guidelines with respect to working at height	We have established a work safety management system in our operations in accordance with ISO 18001 international standards. We require the workers to strictly follow our relevant safety guidelines while working at height. In addition, under our internal safety guidelines, ladders and working platforms for working at height must be securely anchored to safe place and being inspected by competent person before commencement of the works. Depending on the height of works, each worker is strictly required to wear safety harness which is secured to an independent life line.	To further improve our safety control, prior to Listing, we have further enhanced our internal safety trainings as well as our supervision on the implementation of internal safety guidelines by our subcontractors. We have increased our inspection frequency from once every week to three times every two week to enhance the safety monitoring on the site in all sites where our direct employees and employees of our subcontractors are working at. The inspection focuses on checking whether our subcontractor have implemented our safety guidelines, such as whether they have worn adequate safety equipment including safety footwear, gloves, goggles and life belt and whether stable fence have been put up around the working platforms. Our external safety auditors are of the view that such safety measures are adequate and effective in mitigating the risks of recurrence of similar accidents and injuries to workers on our Group's sites in the future.
Injury caused in connection with failure to follow internal safety guidelines with respect to wearing safety equipment	The workers are required to strictly follow our internal safety guidelines to wear all necessary safety equipment, such as goggles and gloves.	
Contusion, laceration and/or fracture injury caused in connection with failure to follow internal manual handling procedures	The workers are required to strictly follow our internal safety guidelines on manual handling procedures. They are also required to wear safety gloves to handle specific nature of works.	
Contusion, bruise, sprain and/or fracture injury caused in connection with failure to maintain tidiness of the worksite	We require our workers to put all objects and materials orderly in the specified location securing the tidiness of the work site. The workers are required to wear safety footwear and take steps in ensuring safe access and egress being available in the sites.	
Contusion, laceration and/or fracture injury caused in connection with failure to maintain the equipment under proper working condition	We require our workers to maintain and monitor all equipment in proper working condition.	

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Taking into account (i) the work safety management system adopted by us in accordance with ISO18001 international standards; (ii) our below industry average accident rate and fatality rate during the Track Record Period; (iii) corresponding safety control measures implemented as set out above to strengthen our safety control over our subcontractors; (iv) based on the external safety auditors' view that the safety control measures our Group has implemented are adequate and effective in mitigating the risks of recurrence of similar accidents or injuries to workers on our Group's sites in the future, our Directors are of the view and the Sole Sponsor concurs that these safety control measures are adequate and effective in mitigating the risks of recurrence of similar accidents and injuries to workers on our Group's sites in the future. Based on (i) the abovementioned factors, (ii) our Director's view that the occurrence of such accidents or injuries to workers on our Group's sites is not uncommon in both fitting-out and construction industries; and (iii) our Directors' efforts in enhancing the safety control measures, the Sole Sponsor is of the view that the occurrence of such accidents and injuries to workers on our Group's sites did not affect our Director's suitability to act as a director under the Rules 3.08 and 3.09 of the Listing Rules.

The following table sets forth our Group's lost-time injuries frequency rate for our fitting-out works and alteration and addition and construction works:

Year/period	Lost-time injuries frequency rate	
	Fitting-out works⁽¹⁾	Alteration and addition construction works
2012	4.5	4.5
2013	4.9	7.9
2014	4.7	9.4
From 1 January 2015 to 31 August 2015	4.2	1.8

Notes:

- (1) Including our fitting-out works carried out in both Hong Kong and Macau.
- (2) Lost-time injuries frequency rate ("LTIFRs") is a frequency rate that shows the number of lost time injuries ("LTIs") within a given time period (e.g. per 1,000,000 hours) relative to the total number of hours worked in the same period. The above LTIFRs are calculated by using the total labour hours worked per financial year to divide the number of lost time injuries of our Group happened in the same financial year and multiplied by 1,000,000. The number of working days for the years ended 31 December 2012, 2013 and 2014 and the period from 1 January 2015 to 31 August 2015 for our fitting-out works were approximately 418,380 days, 228,032 days, 631,664 days and 720,860 days, respectively. The number of working days for the years ended 31 December 2012, 2013 and 2014 and the period from 1 January 2015 to 31 August 2015 for our alteration and addition and construction works were approximately 147,298 days, 283,058 days, 106,711 days and 122,677 days.
- (3) Our LTIs were determined based on relevant medical certificates showing incapacity of the injured employees for a period exceeding 3 days received by our Group and/or our subcontractors.
- (4) The employees of our Group and employees of our Group's subcontractors participated in our projects for continuing operations are included in the LTIFRs as shown above.

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From the year ended 31 December 2012 to the year ended 31 December 2013, we experienced an increase in LTIFRs for our fitting-out works, primarily due to a significant decrease of the number of working days combined with a slight increase in the number of reportable accidents. Our LTIFRs for our fitting-out works remained relatively stable from the year ended 31 December 2013 to the year ended 31 December 2014. We experienced a decrease in LTIFRs for our fitting-out works for the eight months ended 31 August 2015, primarily due to our enhancement of safety management by increasing safety personnel to monitor and strengthen safety control.

From the year ended 31 December 2012 to the year ended 31 December 2013 and further to the year ended 31 December 2014, we experienced an increase in LTIFRs for our alteration and addition and construction works, primarily due to the increase in the number of reportable accidents associated with the increase in the number of our alteration and addition and construction projects since 2013. For the eight months ended 31 August 2015, we experienced a significant decrease in LTIFRs for our alteration and addition and construction works, primarily due to our enhancement of safety management by increasing safety personnel to monitor and strengthen safety control.

One of our subcontractors in Macau recorded one fatal accident which happened on 17 July 2015 caused by hit by fallen object during a lifting operation. See “— Regulatory Compliance and Legal Proceedings”. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any other material accidents involving fatal injuries.

Our Directors confirm that we have complied with in all material aspects all the relevant laws, rules and regulations relating to environment, safety and health in carrying on our business.

INSURANCE

In order to cover our Group from liability, we maintain policies of a nature and amount that we consider adequate and evaluate from time to time such policies based on our past experience, production changes, industry developments, benchmarking and various considerations. We generally do not maintain insurance for product warranty or recall matters.

All fitting-out as well as alteration and addition and construction projects undertaken by us are normally protected by main contractor’s all-risk and third party liability insurance which, depending on the terms of the relevant contracts, are taken out either by property owners, the main contractors or us. Such insurance policy generally extends for the entire contract period, including the defect liability period following completion of the project.

Our Directors are of the view that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm.

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MAJOR CERTIFICATIONS AND AWARDS

The following table sets out our major certifications:

Year of grant	Recipient	Certificate/Qualification	Awarding organisation or authority	Expiry time
1994	Dongguan Sundart	ISO9001	HKQAA	August 2017
1996	Kin Shing	ISO9001	HKQAA	November 2017
2009	Sundart Timber	ISO9001	HKQAA	August 2017
2010	Sundart Timber	ISO14001	HKQAA	August 2017
2011	Sundart Timber	ISO18001	HKQAA	August 2017
2011	Kin Shing	ISO14001	HKQAA	November 2017
2011	Kin Shing	ISO18001	HKQAA	November 2017
2012	Dongguan Sundart	ISO14001	HKQAA	December 2015
2012	Dongguan Sundart	Certificate of meeting the requirements of Chain-of-Custody for manufacturing, purchasing and sales of certain wooden products	SGS Hong Kong Limited	April 2017

The following table sets out the major awards and recognition obtained by us:

Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
2014	Award	Sundart Macau	Sands Supplier Excellence Awards	Sands China Ltd.
2013	Recognition	Sundart Holdings Limited	Caring Company	The Hong Kong Council of Social Service
2012	Award	Dongguan Sundart	Top 10 Fire Door Brands	China High-tech Industrialization Association

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COMPETITION

In Hong Kong, there are ten registered fitting-out contractors on the approved list of suppliers of materials and specialist contractors for turn-key interior design and fitting-out works in public sector in Hong Kong while the number of fitting-out contractors carrying out works in private sectors cannot be estimated, according to Ipsos Report. In Macau, the fitting-out market is dominated by certain major fitting-out contractors, most of which are based in Hong Kong. According to Ipsos Report, there were approximately 30 fitting-out contractors in Macau as at the end of 2014. In 2014, the revenue of fitting-out industry in Hong Kong and Macau was HK\$12.9 billion and MOP8,030.2 million, respectively. We were the largest fitting-out contractor in Hong Kong and Macau with approximately 6.1% of Hong Kong market share and 15.5% of Macau market share, respectively, according to Ipsos Report. Our Directors consider all sizeable fitting-out companies actively operating in Hong Kong and Macau to be our competitors.

The fitting-out industry in Hong Kong and Macau is scattered and competitive. Entrance barrier to this industry is not high and new comers may enter the industry without industry specific qualifications, licenses or permits. We believe that we are able to withstand the intense competition in the past few years and maintain a steady growth of our business because of our competitive strengths below:

- Established reputation and a proven track record
- Long working relationships with major property developers and hotel owners in Hong Kong and Macau
- Competitive edge on material costs and arrangements with reliable suppliers and subcontractors
- Cost-saving effect brought by the timber product supply and pre-fabrication service provided by Dongguan Sundart
- Capabilities and excellent job reference to undertake sizeable fitting-out projects
- Extensive technical knowledge and know-how in fitting-out industry
- Experienced and efficient management team
- Commitment to safety, quality and environment through well-established management system

Please refer to the section headed “Business — Competitive strengths” above.

SEASONALITY

Neither our business nor our revenue was subject to any seasonality during the Track Record Period.

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INTELLECTUAL PROPERTY

We have been conducting our fitting-out business in Hong Kong and Macau using “Sundart” and “承達” as our brand names. As at the Latest Practicable Date, we had registered eight trademarks which are material in relation to our business, including our brand “Sundart” and “承達”. See “Appendix IV — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights — (a) Trademark” to this Prospectus.

In addition, we had received one utility model patent for a decorative trim moulding granted by the PRC patent authorities and one patent for a decorative trim moulding granted in Hong Kong as at the Latest Practicable Date.

Other than disclosed above, our business or profitability is not dependent on any patent or licence or other intellectual property rights.

We also rely on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. Our research and development employees have entered into agreements to assign us all inventions, designs and technologies that they develop during the terms of their employment with us.

In addition, we entered into a trademark license agreement on 4 December 2015 with Sundart Beijing and Sundart Dalian, pursuant to which, we granted a license to Sundart Beijing and Sundart Dalian for use of our  trademark for their fitting-out business in the PRC in accordance with the terms and conditions of the agreement. For more details, see “Connected Transaction — Exempt Continuing Connected Transaction”.

As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights or any material violation.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and all of our places of operations in Hong Kong, Macau and the PRC were leased properties. As at the Latest Practicable Date, we leased a parcel of land with a total GFA of 12,600 sq.m. and 43 properties with a total GFA of 464,808 sq.ft.

As at the Latest Practicable Date, our leasehold interests in our leased properties were subject to certain defects as follows:

- The landlord of our leased properties in Dongguan with a GFA of approximately 40,206.9 sq.m. and our leased property in Shenzhen with a GFA of approximately 588.5 sq.m. had not obtained the certificates of official ownership of the properties. The properties in Dongguan are used mainly as Dongguan Sundart’s manufacturing site and warehouse. The property in Shenzhen is used for office purpose. We have been advised by our PRC legal advisers that there is a risk that we may be required to move out from such leased properties due to such title defect. In view of such, pursuant to the lease agreement for our manufacturing site with our landlord, the landlord has agreed to provide us other comparable properties owned by the landlord for our use if we were required to move out from our existing leased properties due to such defect we can replace the existing property used as warehouse with comparable properties nearby. Based on the advice of our PRC legal advisers, our Directors are of the view that such defect will not materially and adversely affect our operations in Dongguan; and

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- Our lease agreements with the landlords for our leased properties in Dongguan with a GFA of approximately 40,206.9 sq.m. had not been registered with relevant housing authorities in the PRC. We have been advised by our PRC legal advisers that (i) we may be subject to a fine ranging from RMB2,000 to RMB20,000 should we fail to complete the registration in a timely manner, and (ii) the lack of registration of the lease agreements will not affect the validity and enforcement of the lease agreements. As at the Latest Practicable Date, we were not aware of any notice of fines imposed us by the housing authorities concerning the non-registration.

Our Directors are of the view that we can replace our existing properties with comparable properties nearby, if necessary, without any material adverse effect on our operations, given the sufficient supply of comparable industrial properties available for lease in Dongguan City and sufficient supply of office properties available for lease in Shenzhen near our existing leased properties.

As at the Latest Practicable Date, we had not been subject to any material claim arising from or in connection with any defect in our leasehold interest in any of our leased properties.

EMPLOYEES

As at 31 August 2015, we had 257 employees in Hong Kong, 151 employees in Macau and 458 employees in the PRC. The number of our employees classified by function is as follows:

Functions	Number of employees as at 31 August 2015	% of total
Manufacturing	365	42%
Engineering & Operation	328	38%
Administration	148	17%
Finance	20	2%
Sales	5	1%
Total	<u>866</u>	<u>100%</u>

As at 31 August 2015, approximately 443 of our employees in the PRC were represented by one union. We believe that we maintain a constructive relationship with our union and communicate with its representatives on a regular basis. We had not experienced any material industrial action, work stoppages or labour disputes during the Track Record Period and up to the Latest Practicable Date.

We view recruiting, training and retaining skilled employees as an important element of our business. We offer training programmes to our employees, which are designed to develop their skills that we need to meet our enterprise goals and customer requirements, and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations. In addition, we have adopted employee incentive plans designed to attract, retain and incentivize employees with a view to encouraging the participants to commit to enhancing value for us and our Shareholders as a whole.

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REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Regulatory Compliance

Our Directors confirm that, we had complied with applicable laws and regulations in material respects in Hong Kong, Macau and the PRC (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Material Licenses and Qualification

As at the Latest Practicable Date, there were no particular licensing or registration requirements for fitting-out works in private sector in Hong Kong. Fitting-out contractors must register with the Development Bureau as an approved supplier on the List of Approved Suppliers of Materials and Specialist Contractors for public works in the category of Turn-key Interior Design and Fitting-out Works before they submit tenders for certain public works in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we provided fitting-out works under two projects and are in the process of providing fitting-out works under three projects in Hong Kong as a fitting-out subcontractor in public sector, among which, two were related to government buildings, two were related to a building for a statutory body and one was related to a combination of government buildings and MTR buildings without rail related function. Government buildings are exempted from the application of the Buildings Ordinance and no registration requirement is imposed on fitting-out subcontractors for them to obtain the fitting-out contract from the main contractor. For fitting-out works for the aforesaid statutory body, fitting-out subcontractors are not subject to specific statutory registration requirements to provide fitting-out works. For fitting-out works for MTR buildings without rail related function, fitting-out subcontractors can rely on the registration of the main contractor for their fitting-out works. There is no particular registration requirement for fitting-out subcontractors to undertake fitting-out works in public sector in Hong Kong, except for tendering for turn-key interior design and fitting-out works in public sector. None of our fitting-out works under those five projects belongs to turn-key interior design and fitting-out works in public sector in Hong Kong.

As at the Latest Practicable Date, the licensing and registration requirements for fitting-out works in Macau applies on main contractor or the first trade contractor as mentioned in “Regulatory Overview” did not apply to our Group as subcontractor. In relation to our alteration and addition and construction business in Hong Kong, our subsidiary, Kin Shing held the following qualifications.

Qualification	Awarding authority	Year of grant (with time of renewals from the Track Record Period and up to the Latest Practicable Date)	Expiry time
Approved Contractor on the List of Approved Contractors for Public Works in the Category of Buildings (Group C on Probation)	WBDB	1996	Not specified ⁽¹⁾
Registered General Building Contractor	Building Authority ⁽²⁾	1999 (renewed in November 2012 and August 2015)	November 2018
Registered Specialist Contractor (Sub-register of Site Formation Works)	Building Authority ⁽²⁾	2000 (renewed in November 2012 and January 2015)	January 2018
Registered Specialist Contractor (Sub-register of Foundation Works)	Building Authority ⁽²⁾	2000 (renewed in September 2012 and July 2015)	June 2018

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Notes:

- (1) There is no specific expiry date and the retention is subject to fulfilment of the criteria provided in the ETWB Contractor Management Handbook and any regulatory actions taken by WBDB. See “Regulatory Overview”.
- (2) According to section 2 of the Buildings Ordinance, Building Authority means the Director of Buildings. The Director of Buildings is responsible for the Buildings Department.

Legal Proceedings and Claims

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

The claims and litigations as well as pending and threatened claims and litigations against us during the Track Record Period and up to the Latest Practicable Date were principally related to employees’ compensation claims and personal injury claims arising out of the ordinary course of our business (details of which are set out below). Our Directors are of the view that none of such proceedings would have a material impact on our business, results of operations or financial condition, or on our Shares, the Global Offering and the Listing.

Hong Kong

- (I) *Ongoing employees’ compensation claims and personal injuries claims against our Group as at the Latest Practicable Date*

The table below summarises the number of ongoing employees’ compensation claims with no legal proceedings (“**EC Claims**”), employees’ compensation claims with legal proceedings (“**DCEC Claims**”) and personal injury claims (“**PI Claims**”) as at the Latest Practicable Date. The 21 ongoing EC Claims (as disclosed below) (“**21 Ongoing EC Claims**”) arose from 21 accidents, all of which occurred within the Track Record Period and up to the Latest Practicable Date. The 12 ongoing DCEC/PI Claims (as disclosed below) (“**12 Ongoing DCEC/PI Claims**”) arose from 12 accidents, two of which occurred prior to the Track Record Period and 10 of which occurred within the Track Record Period and up to the Latest Practicable Date.

Category of claims	Number of claims	Compensation claimed	Approximate known amount of claims as at the Latest Practicable Date <i>HK\$</i>
Ongoing EC Claims <i>(Note 3)</i>	21	Compensation under the Employees’ Compensation Ordinance.	2.30 million <i>(Note 1)</i>

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Category of claims	Number of claims	Compensation claimed	Approximate known amount of claims as at the Latest Practicable Date HK\$
Ongoing DCEC/PI Claims	12	Compensation under the Employees' Compensation Ordinance and damages.	N/A (Note 2)
– DCEC Claims	7		
– PI Claims	5		

Notes:

- (1) The claim amounts in respect of three of the 21 Ongoing EC Claims were not available to our Group as such cases are directly dealt with by our subcontractors.
- (2) The total claim amount of the 12 Ongoing DCEC/PI Claims is not available to our Group as these cases are being dealt with by the insurers.
- (3) For the 21 Ongoing EC Claims, our Group has filed Form 2 (according to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any accident by submitting a Form 2) and the compensation payable, if any, is being or has been or will be assessed by the Commissioner of Labour.

As stated in “— Insurance”, all fitting out as well as alteration and addition and construction projects undertaken by us are normally covered by main contractor's all-risk and third party liability insurance which, depending on the terms of the relevant contracts, are taken out either by property owners, the main contractors or us. Such insurance policies normally cover accidents involving our employees and our subcontractors' employees during their course of work. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had never paid any material amounts in relation to any claims or proceedings in respect of such cases against us. Taking into consideration of the aforesaid and to the best knowledge and belief of our Directors, all the ongoing claims and proceedings have been/are expected to be covered by insurance.

The causes of the 21 Ongoing EC Claims and severity of the injuries resulted from the relevant accidents, to the best information and knowledge of our Directors, are as follows:

- the 21 Ongoing EC Claims generally arose from the following causes:
 - accidents occurred under the following circumstances (*Note*): 12
 - slipping on or onto grounds or on platform 3
 - carelessness when landing from elevated area 1
 - being tripped by objects 1
 - not wearing safety gloves 1
 - carelessness when performing job duties 1
 - carelessness in using windows or doors 1
 - being hit by falling object 1

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– falling from height	3	
• workman failing to follow the guidance given in our training sessions or failing to adhere to procedures relating to use of equipment or manual handling		6
• workman or subcontractor failing to ensure site tidiness		2
• accident occurred when our general staff tripped during a business trip		1

Note: To the best knowledge, information and belief of our Directors, six of these claims were, apart from being accidental in nature, also attributable to the failure of the relevant injured persons to follow our internal safety guidelines.

- save for one accident (caused by falling from height in a construction site) which did not proceed to the stage of assessment due to absence of the applicant at the appointment of medical clearance arranged by the Occupational Medicine Unit of the Labour Department and which resulted in approximately 65 days of hospitalisation and sick leave of more than two years being granted (the “**Relevant Accident**”), our Directors consider that the injuries resulted from the relevant accidents relating to 14 of the 21 Ongoing EC Claims were not severe on the basis that: (i) one claim was assessed by the EC Board with less than 10% of permanent loss of earning capacity; and (ii) 13 claims resulted in sick leave of nil to less than 14 months as at the Latest Practicable Date.

For six of the 21 Ongoing EC Claims, despite the relevant injured persons were, to the best knowledge of our Directors, still taking sick leave as at the Latest Practicable Date and the actual sick leave which might eventually be granted cannot be ascertained as at the Latest Practicable Date, based on these claims only resulted in nil to 35 days of hospitalisation and sick leave periods of less than 10 months as at the Latest Practicable Date, our Directors consider that the injuries resulting from the relevant accidents were not severe.

For the claims which did not proceed to the stage of assessment due to absence of the applicant at the appointment of medical clearance (i.e. five claims) and the claims which are either in or yet to proceed to the final stage of compensation assessment (i.e. 15 claims) as at the Latest Practicable Date, we are not in a position to quantify the permanent loss of earning capacity in absence of medical expertise, and as such assessment is based on individual circumstances which cannot be generalised, any attempt by our Group to assess and determine the percentages of permanent loss of earning capacity would be misleading and inaccurate.

The causes of the 12 Ongoing DCEC/PI Claims and severity of the injuries resulted from the relevant accidents, to the best information and knowledge of our Directors, are as follows:

- the 12 Ongoing DCEC/PI Claims generally arose from the following causes:

• workman failing to follow the guidance given in our training sessions or failing to adhere to procedures relating to manual handling	6
• falling or falling from height	4
• our Group and our subcontractor failing to ensure the equipment supplied was in proper working condition	1
• our Group failing to ensure safety of worker	1

BUSINESS

- save for the Relevant Accident and one accident (caused by being hit by an object in a construction site due to the relevant workman failing to follow the guidance given in our training sessions) which was assessed by the EC Board with 25% of permanent loss of earning capacity (details of which are set forth under item nos. 9 and 5 in the table below respectively), our Directors consider that the injuries resulted from the relevant accidents were not severe, without taking into account these claims were still ongoing as at the Latest Practicable Date, on the basis that nine claims were assessed by the EC Board with less than 10% of permanent loss of earning capacity and one resulted in less than five months of sick leave being granted.

Based on the best knowledge and information available to us, further details of the 12 Ongoing DCEC/PI Claims are set out below:

No.	Nature of the claims	Member of our Group involved <i>(Note 1)</i>	Amount/estimated quantum of damages claimed	Status
1.	Our subcontractor's employee suffered injury to his head, neck, shoulder, elbow and both hands caused by falling off from a ladder on 19 May 2011. He has (i) made a DCEC Claim and (ii) filed a PI Claim to the High Court. <i>(Note 2)</i>	Kin Shing	i. Compensation under the Employees' Compensation Ordinance, plus interest and cost and further or other relief for the employee compensation claim. ii. Damages, plus interest and costs for the personal injury action.	i. The DCEC Claim was settled pursuant to the consent order dated 23 August 2013 with judgment in favour of the applicant with compensation to be assessed. Our Group does not have further information on the claim as it is handled by the insurer. ii. The PI Claim was commenced at the District Court and was transferred to the High Court. The claim has been passed to the insurer for further action.
2.	Our employee sprained his lower back when delivering cabinets on 29 December 2011. He has (i) made a DCEC Claim; and (ii) filed a PI Claim to the High Court. <i>(Note 2)</i>	Sundart Timber	i. Compensation under the Employees' Compensation Ordinance, plus interest and cost for the employees' compensation claim. ii. Damages, plus interest and costs for the personal injury action.	i. The DCEC Claim was settled pursuant to the consent order dated 3 February 2015 and the respondents were ordered to pay HK\$603,950 to the plaintiff. ii. The PI Claim has been passed to the insurer for further action.

BUSINESS

No.	Nature of the claims	Member of our Group involved <i>(Note 1)</i>	Amount/estimated quantum of damages claimed	Status
3.	Our subcontractor's employee suffered fracture of distal radius caused by falling from a ladder on 18 July 2012. He has filed a PI Claim to the High Court.	Sundart Timber	Damages, plus interest and costs.	The PI Claim has been passed to the insurer for further action.
4.	Our subcontractor's employee suffered fractured ribs and injury over back, scapular and chest when falling onto the ground while installing a protective mesh up to a level of approximately 10 feet high on 2 August 2012. She has (i) made a DCEC Claim; and (ii) filed a PI Claim to the High Court. <i>(Note 2)</i>	Kin Shing	i. Compensation under the Employees' Compensation Ordinance, plus interest and cost for the employees' compensation claim. ii. Damages, plus interest and costs for the personal injury action.	i. The DCEC Claim was settled pursuant to the consent order dated 27 February 2014 and the respondents were ordered to pay HK\$293,720 to the plaintiff. ii. The PI Claim has been passed to the insurer for further action.
5.	Our subcontractor's employee suffered eye injury as it was hit by a foreign substance on 16 May 2013. He has made a DCEC Claim.	Kin Shing	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The amount of compensation payable has been assessed and is being disputed. The claim has been passed to the insurer for further action.
6.	Our subcontractor's employee suffered hand injuries caused by falling from a wooden ladder on 24 June 2013. He has made a DCEC Claim.	Sundart Timber	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The application for compensation payable has been made to the Court. The claim has been passed to the insurer for further action.
7.	Our subcontractor's employee suffered shoulder dislocation when removing and lifting a wooden board on 21 August 2013. He has made a DCEC Claim.	Kin Shing	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The amount of compensation payable has been assessed and is being disputed. The claim has been passed to the insurer for further action.
8.	Our subcontractor's employee suffered laceration in his leg when carrying a wardrobe on 24 August 2013. He has made a DCEC Claim.	Sundart Timber	Compensation under the Employees' Compensation Ordinance, plus interest and cost and further or other relief.	The amount of compensation payable has been assessed and is being disputed. The claim has been passed to the insurer for further action.

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No.	Nature of the claims	Member of our Group involved <i>(Note 1)</i>	Amount/estimated quantum of damages claimed	Status
9.	Our subcontractor's employee sustained fracture of pelvis and left hip when applying cement mixtures at the upper beam of construction site on 2 January 2013. He has made a DCEC Claim.	Kin Shing	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The DCEC claim has been passed to the insurer for further action.
10.	Our subcontractor's employee sustained injuries to ring finger when falling from a working platform. He has made a DCEC Claim.	Kin Shing	Compensation under the Employees' Compensation Ordinance, plus interest and cost and further or other relief.	The DCEC claim has been passed to the insurer for further action.
11.	Our subcontractor's employee sustained injuries to elbow and hip while falling from an elevating platform on 15 November 2014. He has made a DCEC Claim.	Kin Shing	Compensation under the Employees' Compensation Ordinance, plus interest and cost and further or other relief.	The amount of compensation payable has been assessed and is being disputed. The claim has been passed to the insurer for further action.
12.	Our employee suffered arm, elbow and face injuries and chest discomfort when he was assaulted at a construction site on 7 November 2012. He has (i) made a DCEC Claim; and (ii) filed a PI Claim to the District Court. <i>(Note 2)</i>	Kin Shing	i. Compensation under the Employees' Compensation Ordinance, plus interest and cost for the employees' compensation claim. ii. Damages, plus interest and costs for the personal injury action.	i. The DCEC Claim was settled according to the consent order dated 2 June 2015 and the respondent was ordered to pay HK\$130,000 to the plaintiff. ii. The PI Claim has been passed to the insurer for further action. According to the mediation certificate of the plaintiff dated 9 October 2015, the plaintiff was willing to attempt mediation with a view to settle the proceedings.

Notes:

- (1) Two claims were made against our Group by our employees and the remaining 10 claims were made against our Group and the relevant subcontractors for which our Group was joined in the capacity as a contractor.
- (2) For each of these accidents, there was one DCEC Claim settled under the Employees' Compensation Ordinance and a further PI Claim which is ongoing.

On 28 October 2015, Sundart Timber received a writ of summons (the "**Writ**"). The Writ was issued on 28 October 2015 by Demaven Company Limited as plaintiff (the "**Plaintiff**") against Sundart Timber as defendant. Pursuant to the Writ, the Plaintiff claims, among other things, for damages for breach of a building contract made between the Plaintiff and Sundart Timber in or about August 2011 with a total contract sum of HK\$62.5 million. The Plaintiff was a former client of Sundart Timber to whom Sundart Timber provided fitting out works in 2011. The Writ does not state the Plaintiff's claim

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amount or the nature of the claim however it is believed that the claim relates to alleged defects found in the works done by Sundart Timber in the building project. Our Hong Kong legal advisers have been retained to assess appropriate strategies in handling the defence of this case, and may advise a possible application to the Court for stay of proceedings for reference to Arbitration. Pending the service of the Plaintiff's Statement of Claim and based on the information provided by our Company thus far, our Hong Kong legal advisers are of the view that the Plaintiff's claims against Sundart Timber under the Writ can unlikely be substantiated, against which Sundart Timber has valid counterclaims to be advanced should the Plaintiff continue pursuing its claims under the Writ.

The above claims are indemnified by the Controlling Shareholders under the Deed of Indemnity. Our Directors are of the view that occurrence of litigations of this nature is common in the industry in which we operate in Hong Kong.

Based on the above, our Directors are of the view that the above pending claim will not have material financial impact on our Group. Our Company will inform its shareholders and potential investors of any material development in relation to such pending claim by way of further announcements or in its interim/annual report as and when appropriate.

(II) Claims and litigation against our Group settled (whether by way of court judgment or settlement) or discontinued during the Track Record Period and up to the Latest Practicable Date

The table below summarises the EC Claims, DCEC Claims and PI Claims against our Group that were settled or discontinued during the Track Record Period and up to the Latest Practicable Date, all of which were dealt with by the respective insurers. The 84 settled claims (as disclosed below) ("**84 Settled Claims**") arose from 76 accidents, 19 of which occurred prior to the Track Record Period and 57 of which occurred within the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that all such claims were covered by insurance, save for two claims which were not reported to the insurers within the required period resulting in our Group having to bear part of the settlement amount as disclosed in Note (4) in the table below. In addition, there was one labour dispute claim at the Labour Tribunal which was settled during the Track Record Period. As at the Latest Practicable Date, there was one ongoing labour dispute claim relating to employee wages at the Labour Tribunal involving a claim amount of HK\$46,200 (an interview with the tribunal officer is fixed for 7 December 2015).

Category of claims	No. of claims	Nature/reason of claims	Approximate total amount settled (HK\$)
Settled claims	84 <i>(Note 1)</i>	Cover 57 EC Claims settled by out of court settlement <i>(Note 2)</i> and 27 DCEC/PI Claims settled by way of court judgement <i>(Note 3)</i> .	15.70 million <i>(Note 4)</i>
Discontinued claims	2	Cover one DCEC Claim and one PI Claim.	N/A

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Category of claims	No. of claims	Nature/reason of claims	Approximate total amount settled (HK\$)
Labour dispute claim	1	A claim at the Labour Tribunal in relation to the alleged default in salary payment by our subcontractor to its workers (with us being joined as a defendant in the capacity as a contractor).	65,000

Notes:

- (1) With respect to the two PI Claims at the District Court and subsequently transferred to the High Court from the District Court, one of these two claims was settled by way of court judgement (included in the 84 Settled Claims) and the other was still ongoing (included in the 12 Ongoing DCEC/PI Claims) at the High Court. To avoid confusion and duplication, the two PI Claims at the District Court have not been categorized under any category.
- (2) The settlement amounts of 45 claims were calculated based on the amount of compensation assessed by the EC Board. The settlement amounts of 10 claims were calculated based on the total claim amount fully reimbursed by the insurer or the settlement amount paid by our Group or our subcontractors which had been or will be fully reimbursed by the insurer. The claim/settlement amounts of the remaining two claims were not available to our Group as these claims had been directly dealt with by our Group's subcontractors.
- (3) 23 claims were filed by our subcontractors' employees (with us being joined as a defendant in the capacity as a contractor) and four claims were filed by our employees.

The settlement amounts of six DCEC/PI Claims were not available to our Group as these claims were dealt with by the insurers and no settlement amounts were shown in the court documents available to us. The total claim amount of two of these claims (which was included in the calculation of the total settlement amount) were approximately HK\$1.68 million, while the claim amount of the remaining four claims (which arose from three accidents) were not available as such amount was not shown in the court documents available to our Group.

- (4) The settlement amount does not include two EC Claims and four DCEC/PI Claims as the claim/settlement amounts were not available to our Group. See Note (2) and Note (3) above.

Our Directors confirm that two claims (namely one DCEC Claim and one PI Claim) were not reported to the insurer within the required period as we were not informed of the accident at the relevant time. To the best information and knowledge of our Directors, the reason of delay in reporting was (i) in respect of the DCEC Claim, the injured person (being an employee of our Group) had underestimated the extent of injury and failed to report the incident to our site personnel in a timely manner, and (ii) in respect of the PI Claim, the injured person's employer (being our subcontractor) failed to report the incident to our site personnel in a timely manner. As a result, (i) for the DCEC Claim, our Group had made a payment of approximately HK\$300,000 to the insurer and was informed that we would not be liable for any further payment; and (ii) for the PI Claim, our Group had agreed with the insurer to share 60% of the total damages and cost, which amounted to approximately HK\$320,000. Our Directors confirm that, save for the aforesaid amount of approximately HK\$620,000 in total which was not recoverable from the insurer, the settlement amount for the 84 Settled Claims would be covered by insurance.

To ensure any future accident will be reported to our Group and the insurers in a timely manner, at all sites where our direct employees and employees of our subcontractors are working at, we (i) have issued written guidelines to site safety personnel with respect to the timely reporting procedure; (ii) will strengthen our supervision on the reporting scheme; and (iii) will issue a separate memorandum to our direct workers and workers of our subcontractors to reinforce the importance of prompt notification of the occurrence of accident (even if the accident is minor in nature) and explain the same to workmen during our on-site inspections. For further details of our safety control measures, see "— Safety".

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The causes of the above 84 Settled Claims and severity of the injuries resulted from the relevant accidents, to the best information and knowledge of our Directors, are as follows:

- save for one EC Claim which was assessed by the EC Board with 3% of permanent loss of earning capacity due to an accident occurred before the Track Record Period and dealt with by the insurer of the main contractor, which our Group was not able to ascertain the cause of injury, the remaining 83 out of the 84 Settled Claims generally arose from the following causes:
 - accidents occurred under the following circumstances (*Note*): 24
 - carelessness or injuries sustained when using ladder 8
 - being hit by falling or moving object 3
 - carelessness in using door or windows 3
 - falling from height 3
 - carelessness when performing job duties 2
 - careless use or handling of equipment 2
 - carelessness in moving objects 2
 - being tripped by object 1
 - workman failing to follow the guidance given in our training sessions or failing to adhere to procedures relating to use of equipment or manual handling 38
 - our Group and our subcontractor failing to ensure site tidiness 11
 - our Group and our subcontractor failing to ensure the safety of the workman 6
 - our Group and our subcontractor failing to ensure the equipment supplied was in proper working condition 3
 - accident occurred when our general staff tripped during a business trip 1

Note: To the best knowledge, information and belief of our Directors, nine of these claims were, apart from being accidental in nature, also attributable to the failure of the relevant injured persons to follow our internal safety guidelines.

- save for one accident (caused by being hit by an object and falling onto ground in a construction site, which led to two claims) which resulted in a total permanent loss of earning capacity, our Directors consider that the injuries resulted from the relevant accidents were not severe on the basis that: (i) 68 claims were assessed by the EC Board with nil to less than 13% of permanent loss of earning capacity; (ii) one claim resulted in approximately 14 months of sick leave being granted and the settlement amount was HK\$343,384.00; (iii) one claim resulted in sick leave of approximately two months being granted and the claim amount was approximately HK\$520,000; (iv) nine claims resulted in less than 12 months of sick leave being granted; (v) despite information relating to the sick leave (if any) for two claims was not available to our Group as the claims were directly dealt with by our subcontractors, these claims were settled at an early stage (i.e. even before the stage of assessment); and (vi) the remaining one claim was a PI Claim which had been settled for HK\$100,000.

In relation to the two discontinued claims, to the best information and knowledge of our Directors, our Directors consider that the injuries resulted from the accidents were not severe on the basis that the

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discontinued DCEC claim was assessed by the EC Board with 12% of permanent loss of earning capacity and the other discontinued PI Claim was assessed by the EC Board with 2% of permanent loss of earning capacity.

(III) Possible additional PI Claims as at the Latest Practicable Date

For EC Claims which are ongoing (whether compensation have been assessed or not) or which were settled, provided that the limitation period of three years from the date of the relevant accidents has not expired, the injured persons may still pursue litigation claims through PI Claims under common law against us. It is beyond our control whether these injured persons will or will not commence PI Claims under common law against our Group. As discussed above, there are currently 21 Ongoing EC Claims and 57 Settled EC Claims, and 58 claims of which are within the said limitation period and in respect of which, to the best knowledge and information of our Directors, no PI Claims had been brought against us as at the Latest Practicable Date. We are not in a position to assess the possibility of whether the injured persons will commence PI Claims against our Group or the likely quantum of such possible claims. Given that these accidents were caused during the usual and ordinary course of our business and our Group has insurance cover for its liabilities resulting from such incidents and notices of such incidents have been given to the insurers, our Directors are of the view that such possible claims have no material adverse impact on our business, operation or financial position.

Our Directors confirm that for those cases which were handled by insurers and subcontractors (as the injured persons were the subcontractors' employees) and relevant information could not be obtained, we had repeatedly contacted the relevant insurers and subcontractors by phone or email to seek further information but we had either not received any response from the insurers and subcontractors or the insurers and subcontractors had replied that they refused to provide the requested information. To the best knowledge of our Directors, it is possible that the insurers and subcontractors could be restricted by their internal policies or confidentiality reasons or legal advice to provide the requested information.

Kin Shing is a registered specialist contractor in the sub-registers of foundation works and site formation works and a registered general building contractor with the Buildings Department. For renewal of registration as a registered general building contractor and as registered specialist contractor under the respective sub-registers of site formation works and foundation works (the "**Registrations**"), the Building Authority will consider, among other things, if the contractor has been convicted or disciplined under the Buildings Ordinance, or has been convicted of a serious labour safety offence (such as involving a fatal accident or amputation of limb), or has been convicted of seven or more labour safety offences committed within a rolling six months (the "**Maximum Conviction**"), or has been involved in conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities. The contractor is also required to submit declarations covering exhaustively any conviction, disciplinary and/or suspension records of itself, the authorised signatory and the technical director for a prescribed period in its application for renewal.

Kin Shing is also on the list of approved contractors for public works of the Development Bureau in the category of buildings (Group C on probation). Kin Sing's retention on such approved list (the "**Retention**") could be affected by whether the Development Bureau has taken regulatory actions against, among others, the contractor's suspected misconduct, poor site safety record and court convictions (the "**Regulatory Actions**"). The Regulatory Actions include removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period),

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downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category), depending on the seriousness of the incident.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) Kin Shing had not been convicted or disciplined under the Buildings Ordinance; (ii) Kin Shing had not been convicted of a serious labour safety offence (such as involving a fatal accident or amputation of limb); (iii) the number of convictions of Kin Shing in relation to the labour safety offences (being five, six, nil and four in the years ended 31 December 2012, 2013, 2014 and the period from 1 January 2015 up to the Latest Practicable Date respectively) were lower than the Maximum Conviction; (iv) all of the aforesaid convictions were related to minor offences of safety precautions under the Factories and Industrial Undertakings (Lifting and Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) and Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) and resulted in small monetary amounts; (v) the total amount of fines paid by our Group in relation to the aforesaid convictions of HK\$130,000, which had been paid in full, is considered insignificant to our business; (vi) Kin Shing had never been refused the renewal of the Registrations; and (vii) no Regulatory Action had been taken against Kin Shing and the Retention has been maintained. As such, the Hong Kong legal advisers to our Company are: (i) of the view that the past criminal charges against Kin Shing during the Track Record Period will not affect Kin Shing's renewal and maintenance of the Registrations and the Retention; and (ii) not aware of any legal impediment which will affect Kin Shing's renewal and maintenance of the Registrations and the Retention. Sundart Timber was convicted for a minor offence of safety precaution under Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong) and paid a penalty of HK\$4,000 in October 2015. Neither Sundart Timber nor any other member of our Group is required to hold any particular license or be registered to carry out fitting-out works in both public and private sectors in Hong Kong generally.

Macau⁽¹⁾

Court	Date of commencement of proceeding	Plaintiff	Defendant	Nature of Claim	Amount of Claim	Status
Labour Court (MBC)	25 September 2013	A resident employee	Sundart Macau and two independent third parties	Occupational accident	MOP200,000	Ongoing ⁽²⁾

Notes:

(1) This does not include:

(a) 8 closed occupational accident files in relation to eight injured persons with the nature and sick leave days granted listed as follows:

	Sprains	Bruises	Gash or contusions	Objects in eyes
Year 2012	1 (2 days)	1 (2 days)	1 (8 days)	—
Year 2014	—	—	1 (Nil)	1 (Nil)
Year 2015	1 (37 days)	—	2 (67 days, 2 days)	—

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Three accidents were due to workman failing to follow the safety guidelines, three accidents were due to carelessness when moving objects and two accidents were due to raining or horrendous weather. All accidents were not severe based on the sick leave days granted and all injured persons recovered without permanent loss of earning capacity. These accidents were expected to be covered by insurances; and

- (b) 16 ongoing occupational accident files in relation to 16 accidents happened during the Track Record Period and as at the Latest Practicable Date being handled by the Labour Affairs Bureau of Macau in relation to employees hired by us, our sub-contractors and main-contractors injured in the projects our Group was carrying out (of which one was due to carelessness when using ladder; six were due to not using proper procedure when using equipment, one was attributable to being tripped by object, one was attributable to improper posture in manual work, one was attributable to being splashed by dust in eyes, four were due to other person's carelessness when moving objects, one was due to carelessness when walking and one was due to improper placing of temporary wires by main-contractor. To the best information, knowledge and belief of our Directors, eleven of the above claims were attributable to the failure of the relevant injured persons to follow our Company's internal safety guidelines), which were insured by the insurance taken out by our customer or main contractors. It is a routine procedure for the Labour Affairs Bureau of Macau to open a file for each injured person at every occupational accident no matter if any sick leave is granted. Such files will be closed after it is satisfied with the medical report and the injured person confirms he/she has recovered from the injury without permanent incapacity and has received all legal indemnity. To the best information and knowledge of our Directors, out of the 16 ongoing files, five of the accidents have resulted in less than three days sick leave being granted, four of the accidents have resulted in less than three weeks sick leave being granted, three of the accidents have resulted in less than five weeks sick leave being granted, three of the accidents have resulted in less than ten weeks sick leave being granted and one has resulted in more than eight months sick leave being granted already. For three of the 16 ongoing files, (i) one injured person has been granted less than ten weeks sick leave, despite was still receiving medical treatment, has returned to work in early September 2015 without demotion or pay reduction as at the Latest Practicable Date; (ii) one injured person has been granted more than eight months sick leave was still taking sick leave. Except for physical therapy, other therapies for this case have been stopped for at least three months; and (iii) one injured person has been granted less than ten weeks sick leave was still taking sick leave. Except for Chinese medicine treatment and physical therapy, no other therapy has ever been taken after initial medical examinations on the injured person. Based on the above signs of rehabilitation progress of the first two injured persons, the therapy taken by the third injured person and that no claim for permanent loss of earning capacity arose from the above three accidents as at the Latest Practicable Date, our Directors are of the view that the three accidents were not severe. Save for the three accidents, the injuries resulted from the other thirteen accidents were not severe on the basis of the relevant period of sick leave and the thirteen injured persons have recovered and no permanent loss of earning capacity has been claimed. Our Directors have confirmed that all relevant injured persons have received mandatory occupational safety and health training and adequate insurances have been taken out. According to the records as at the Latest Practicable Date, the total paid out compensation for the 16 cases is around MOP280,000. All the accidents were expected to be covered by the relevant insurances.

In addition, there was one work safety offence file being handled by the Labour Affairs Bureau of Macau in relation to a fatal accident happened on 17 July 2015. An employee hired by one of Sundart Macau's second level subcontractors died for being hit by a falling object in a lifting operation of a heavy decoration material. To the best knowledge and belief of our Directors, the accident was suspected to be attributable to improper lifting operation by the second-level subcontractor which failed to follow our Group's safety guidelines or instructions. Sundart Macau, being the contractor, was imposed a fine of MOP4,500 by the Labour Affairs Bureau of Macau on 12 November 2015 after their investigation. As at the Latest Practicable Date, the file was closed since Sundart Macau has paid the fine on 17 November 2015. Based on our understanding, the Group's subcontractors have agreed to pay a sum of MOP1,300,000 to the family of the deceased as compensation and have submitted the case to the relevant insurer for further handling. According to the written confirmation from the spouse of the deceased, the sum has been fully paid. After the accident, Sundart Macau suspended the lifting operation for around one month for carrying out internal investigation and making revision to our safety guidelines which we require subcontractors with similar lifting operation in Macau to adopt and we have reminded them as to their strict compliance with such guidelines. According to the current regulations applicable to registration of individual or corporate constructor, being liable to a work safety offence is not one of the grounds of rejection, suspension, delisting or non-renewal of registration. As such, our Macau legal advisers are of the view that the said work safety offence file against Sundart Macau will not affect its renewal and maintenance of the registration as contractor.

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- (2) The plaintiff suffered fracture of patella due to being tripped by object. The claim has been covered by the insurance maintained by the site owner. According to the available information as at the Latest Practicable Date, estimated permanent loss of earning capacity was around 8% to 15%, our Directors are of the opinion that the accident was not severe.

The PRC

Court	Date of commencement of proceeding	Plaintiff	Defendant	Nature of claim	Amount of claim	Status
The Intermediate People's Court of Dongguan City (appealed from the Third People's Court of Dongguan City)	6 January 2014	Dongguan Sundart	Yantai Shentong Import Export Company Limited	Default in payment due to failure to receive payment from its end customer and disagreements in the amounts payable to us	RMB7.4 million	Pending for enforcement of the final judgment

The Intermediate People's Court of Dongguan City issued the final judgment on 13 November 2015, pursuant to which Yantai Shentong Import Export Company Limited is obligated to pay us RMB7.2 million plus interest within ten days after the effective date of such judgment. As at the Latest Practicable Date, Yantai Shentong Import Export Company Limited had not fulfilled its payment obligation under the judgment. We wrote off trade receivable of HK\$9.1 million, being the entire outstanding amount due from Yantai Shentong Import Export Company Limited, in 2015 on prudence basis in connection with this legal proceeding. We will make appropriate accounting treatment after we receive such payment from Yantai Shentong Import Export Company Limited.

During the Track Record Period and up to the Latest Practicable Date, Sundart Beijing was involved in a number of legal proceedings and claims. As advised by our PRC legal advisers, our Group assume no liabilities of nor having provided any guarantee for Sundart Beijing regarding this legal proceedings and claims.

No provision for litigation claims

Our Directors are of the view that occurrence of personal injury claims and employees' compensation claims is not uncommon in the industry. All fitting-out as well as alteration and addition and construction projects undertaken by us are normally protected by contractor's all-risk and third party liability insurance with a view to providing sufficient coverage for such work-related injuries for our employees and we have not incurred any material liabilities as a result thereof during the Track Record Period. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For details of our insurance policies, please see "— Insurance".

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No provision has been made in the financial statements of our Group in respect of the aforementioned ongoing employees' compensation claims and personal injury claims having taken into account (i) the uncertainties in the total amount involved for the claims; (ii) the coverage by the relevant insurance as mentioned above; and (iii) the indemnity given by our Controlling Shareholders as mentioned below. Regarding the potential litigations in relation to employees' compensation claims and common law personal injury claims, no provision was made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the uncertainties in the total amount that will be involved for such claims, if any; and (iii) the indemnity given by our Controlling Shareholders as mentioned below.

Indemnity from our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing Date, including but not limited to the legal proceedings and claims as disclosed in “— Regulatory Compliance and Legal Proceedings — Legal proceedings and claims”. For further details of the Deed of Indemnity, please see “Appendix IV — Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnities” in this Prospectus.

INTERNAL CONTROL

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have, in consultation with our internal control adviser, adopted a written internal control policy and the following measures:

- (i) our Directors have attended trainings conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) we have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (iii) we have established a centralised contract management system to record all our operational and financing agreements and designated the general manager to review all of our agreements entered into on a monthly basis to ensure they comply with relevant regulations and our policies.

On 6 May 2015, we engaged an independent internal control adviser (the “**Internal Control Adviser**”) to conduct an internal control review of certain of our Group members, identifying deficiencies and improvement opportunities, furnish recommendations on remedial actions from 11 May

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2015 to 29 May 2015 and review the implementation status of these remedial actions from 22 June 2015 to 7 July 2015. Following such review and evaluation performed by the Internal Control Adviser, our Group has implemented or will implement prior to Listing all of the recommendations given by the Internal Control Adviser on our internal control system.

After considering the above remedial actions taken by our Group and our business nature and operation scale, both our Directors and the Sole Sponsor are satisfied that our internal control system is adequate and effective for our current operation environment.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), Reach Glory will be beneficially interested in approximately 75% of the issued Shares of our Company. Reach Glory is solely and beneficially owned by Jangho HK, which is in turn solely and beneficially owned by Jangho Co., the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011. As at the Latest Practicable Date, Jangho Co. was beneficially owned, among others, as to approximately 24.70% by Mr. Liu and approximately 27.35% by Beijing Jiangheyuan, which is in turn beneficially owned as to 85% and 15% by Mr. Liu and his spouse, Ms. Fu, respectively. Accordingly, each of Reach Glory, Jangho HK, Jangho Co., Beijing Jiangheyuan, Mr. Liu and Ms. Fu is a Controlling Shareholder for the purpose of the Listing Rules.

As at the Latest Practicable Date, our Group principally carried out fitting-out works in Hong Kong and Macau, alteration and addition and construction works in Hong Kong and the manufacturing, sourcing and distribution of interior decorative materials business. For further details of our principal business, please see “Business”. As part of our business strategies, we may or may not enter into the Potential O2O Business. For details of the Potential O2O Business, please see “Business — Business Strategies — Further diversify our fitting-out business and expand our presence to new business segment — Other business”. Apart from our business, our Controlling Shareholders and their associates are currently operating (i) the provision of fitting-out works in the PRC; (ii) the provision of interior design services in the PRC and Hong Kong; and (iii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC (the “**Retained Businesses**”) which will not form part of our Group after Listing.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our principal business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure their close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our principal business.

DELINEATION OF BUSINESS

Given the different nature and geographical location of our principal business and the Retained Businesses, our Directors are of the view that none of the Retained Businesses would compete, or is expected to compete, directly or indirectly, with our principal business.

Whilst Mr. Liu, Ms. Fu, Beijing Jiangheyuan (each of them through Jangho Group) and Jangho Group have interests in and operates fitting-out business in the PRC, our Directors are of the view that there is a clear delineation between the fitting-out business of Jangho Group and our fitting-out business due to different geographical locations of operations and other factors as detailed in “— Delineation of business — Fitting-out business of Jangho Group in the PRC” below. Our Controlling Shareholders have granted our Group the right of first refusal to acquire their interests in Sundart Beijing and Beijing Gangyuan (both of which are currently carrying on the fitting-out business in the PRC) in the event they wish to dispose such interests to third parties. For further details, please see “— Deed of Non-Competition”.

SLDL, an indirectly non wholly owned subsidiary of Jangho Co., and its subsidiaries are principally engaged in the business of provision of high-end interior design services in Hong Kong and the PRC, which is of a different nature from our business as detailed in “— Delineation of business — Interior design business of Jangho Group” below. Our interests in SLDL are accounted as an investment in an associate in our consolidated statements.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Retained Businesses were not injected into our Group and, as at the Latest Practicable Date, our Controlling Shareholders had no intention to inject the Retained Businesses into our Group in the future, as our Directors are of the view that the Retained Businesses neither form part of our principal business nor are in line with our business and growth strategies nor compete with our principal business. As at the Latest Practicable Date, we had no intention to expand our fitting-out business into the PRC nor be involved in the provision of high-end interior design services.

Fitting-out business of Jangho Group in the PRC

Jangho Group operates fitting-out business through two of its PRC operating subsidiaries, Beijing Gangyuan and Sundart Beijing.

Beijing Gangyuan is a limited liability company established in the PRC on 7 December 1992. As at the Latest Practicable Date, Beijing Gangyuan was principally engaged in (i) the provision of fitting-out works in the PRC; and (ii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC. As at the Latest Practicable Date, Beijing Gangyuan was ultimately held as to 95% by Jangho Co. and 5% by an Independent Third Party.

Sundart Beijing is a limited liability company established in the PRC on 19 September 2003. As at the Latest Practicable Date, Sundart Beijing, by itself and through its wholly owned subsidiary, Sundart Dalian was principally engaged in the fitting-out business in the PRC. Immediately prior to our disposal of 50% equity interest to Jangho Group in April 2015, Sundart Beijing had been an indirect subsidiary of our Company, held as to 75% by Sundart Timber (an indirect wholly owned subsidiary of our Company) and 25% by Jangho Co.. In April 2015, Sundart Timber transferred 50% equity interests in Sundart Beijing to Jangho HK to ensure compliance with certain PRC non-competition requirement. In June 2015, Sundart Timber further disposed the remaining 25% equity interests it held in Sundart Beijing to Jangho HK, to further enhance the business delineation between Jangho Group and our Group. Upon the change of shareholding which was effective on 25 June 2015, we ceased to have any interests in Sundart Beijing (and Sundart Dalian) and ceased to carry out any fitting-out business in the PRC. For details, please refer to “History, Development and Reorganisation — Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Disposal of Sundart Beijing”.

For the years ended 31 December 2012, 2013 and 2014, the consolidated net profits of Sundart Beijing accounted for approximately 2.3%, 15.0% and 1.8% of our total net profits during the same period, respectively; the consolidated revenue of Sundart Beijing accounted for approximately 15.7%, 34.4% and 32.3% of our total revenue during the same period, respectively. For the period commencing from 1 January 2015 up to 24 April 2015 (i.e. the date since when Sundart Beijing ceased to be our subsidiary), Sundart Beijing recorded a consolidated net loss. For the eight months ended 31 August 2015, approximately 11.1% of our revenue was derived from Sundart Beijing.

Notwithstanding that Jangho Group also engages in fitting-out business in the PRC, our Directors are of the view that there is no competition between the fitting-out business of Jangho Group and our principal business and it will not be in the best interest of our Group to include such fitting-out business of Jangho Group in our Group due to the following:

- (i) different geographical locations — during the Track Record Period, substantially all of our fitting-out business was conducted in Hong Kong and Macau and all of the fitting-out

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business of Jangho Group was operated in the PRC. We also had fitting-out business with one customer in Russia and we discontinued such business by the end of 2013. To the best knowledge and belief of our Directors, our Controlling Shareholders have no present plan or intention to expand its fitting-out business beyond the PRC;

- (ii) different customers — the customers of our fitting-out business are primarily located in Hong Kong and Macau and, to the best knowledge and belief of our Directors, the customers of the fitting-out business in Jangho Group are different from those of ours and are primarily located in the PRC;
- (iii) different business focuses — during the Track Record Period and up to the Latest Practicable Date, we focused on fitting-out business in Hong Kong and Macau whilst Jangho Group focused on the business of curtain wall installation and interior design. During the Track Record Period, approximately 87% of our revenue generated from continuing operations was derived from our fitting-out business in Hong Kong and Macau whilst for the year ended 31 December 2014, Jangho Group (excluding revenue from Sundart Beijing which was not a member of Jangho Group in such period) derived only approximately 26% of revenue from its fitting-out business in the PRC and derived a majority of its revenue from its curtain wall and interior design business; and
- (iv) different management and personnel — none of our executive Directors has any executive role in any member of Jangho Group. Mr. Liu, being our Controlling Shareholder, non-executive Director and a director and chairman of the board of directors of Jangho Co., does not have any executive role in our Group. Mr. Xie Jianyu (“**Mr. Xie**”), being an executive Director, has only a non-executive directorship in each of Jangho HK, Peacemark Enterprises Limited, Advance Finding Investments Limited, Eagle Vision and Elite Tech. Mr. Ng Tak Kwan, being an executive Director, has only non-executive directorships in three companies in SLDL Group. Further, there is a clear separation of staff managing the fitting-out business of our Group in Hong Kong and Macau and the fitting-out business of Jangho Group in the PRC.

The delineation of business is further reflected from the fact that Sundart Beijing was disposed out of our Group and transferred to Jangho Group in June 2015 to further enhance the business delineation between Jangho Group and our Group by segregating geographical locations of fitting-out businesses. For details of the disposal of Sundart Beijing Disposal, please refer to “History, Development and Reorganisation — Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Disposal of Sundart Beijing”.

Interior design business of Jangho Group

Jangho Group provides interior design services through SLDL. SLDL is a company incorporated in Hong Kong with limited liability on 25 June 1997. As at the Latest Practicable Date, SLDL Group was principally engaged in the business of the provision of high-end interior design services in Hong Kong and the PRC. As at the Latest Practicable Date, SLDL was held as to 70% by Eagle Vision (which is held as to 28.57% by Gloryeild, 28.57% by Health Capital Enterprises Limited (a wholly owned subsidiary of Gangyuan Architectural Decoration Hongkong Limited, which in turn is a wholly owned subsidiary of Beijing Gangyuan) and 42.86% by Peacemark Enterprises Limited (a wholly-owned subsidiary of Jangho

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HK), and 30% by Mr. Leung Chi Tien, Steve, an Independent Third Party respectively. We became interested in SLDL through our interests in Eagle Vision in February 2014. Our interests in SLDL are accounted for as an investment in an associate in our consolidated financial statements. For further details of SLDL, please refer to “History, Development and Reorganisation — Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Acquisition of SLDL Group”. During the Track Record Period and up to the Latest Practicable Date, our Group did not operate the business of providing interior design services.

For the year ended 31 December 2014 and eight months ended 31 August 2015, our share of profits of associates derived from our interests in SLDL accounted for approximately 9.6% and 1.0% of our total net profits during the same period, respectively.

As part of its interior design services, Jangho Group currently sells certain home accessories and ornaments through a website operated by a subsidiary of SLDL (the “**Jangho Online Business**”). The Jangho Online Business commenced since December 2014. For the year ended 31 December 2014 and the eight months ended 31 August 2015, the revenue generated from the Jangho Online Business was nil and approximately HK\$385,915, respectively.

Our Directors are of the view that the nature of the Potential O2O Business (if carried out) and the Retained Businesses (including the Jangho Online Business) is different due to the following reasons:

1. **different product nature:** the products currently sold through the Jangho Online Business are primarily home accessories and ornaments with inherent aesthetic qualities for decorative and display purposes, such as vases, dinnerware, candle holders, photo frames, tea sets etc.; while the products intended to be sold through the Potential O2O Business are expected to be our customised furniture catering the specific requirement of the customers, or the furniture offered by third parties;
2. **different sourcing channel:** the products currently sold through the Jangho Online Business are primarily selected, sourced and procured by the designers of SLDL (or its subsidiaries) from Europe or designed by such designers and are offered in relatively small quantities, while the furniture intended to be sold through the Potential O2O Business are expected to be customised products manufactured by our own production lines in the PRC or the products produced or offered by third-party furniture providers, which could be massively produced; and
3. **different target customers:** the products currently sold through the Jangho Online Business currently target middle to high-end customers with the ability to afford and are willing to pay a relatively higher price for such products; whilst the furniture intended to be sold through the Potential O2O Business aim to target the general public at more affordable prices.

As such, our Directors are of the view that there is no competition between the interior design business (including the Jangho Online Business) of Jangho Group and our principal business and (if carried out), the Potential O2O Business. Though we believe that the retaining of minority interests in SLDL could create direct synergistic effect with our business, our Directors are of the view that it will not be the best interest of our Group to obtain the majority interests in SLDL, as the nature of interior design business carried out by SLDL and our principal business is different.

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DEED OF NON-COMPETITION

Each of our Controlling Shareholders as covenantors (each a “**Covenantor**”, and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries), pursuant to which, each of the Covenantors confirms, inter alia, that other than its/his/her interests in our Company and those disclosed in this Prospectus, none of them is engaged in any business which, directly or indirectly, competes or may compete with our business, or has any interest in such business. Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition, including, among others, the following:

Non-competition

Each Covenantor undertakes that, during the Restricted Period as stated in the Deed of Non-Competition, it/he/she will not, and will use its/his/her best endeavours to procure, its/his/her close associates (other than any member of our Group) not to, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance, directly or indirectly, to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the principal business of and such other business conducted or carried on by any member of our Group in Hong Kong and Macau or such other places as our Group may conduct or carry on principal business from time to time (the “**Restricted Business**”).

The “Restricted Period” as stated in the Deed of Non-Competition refers to, in respect of a Covenantor, the period from the Listing Date and ending on the occurrence of the earliest of the date on which (i) any Covenantor and/or its/his/her close associates, whether directly or indirectly, individually or taken together, ceases to be beneficially interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the total number of issued shares of our Company or ceases to be a controlling shareholder of our Company, provided that the Deed of Non-Competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the Shares cease to be listed on the Stock Exchange (other than temporary suspension of trading of the Shares for any other reason); or (iii) the Covenantors beneficially own or become interested jointly or severally in all the issue shares of our Company.

New business opportunity

If, during the Restricted Period, any Covenantor and/or its/his/her close associates (other than any member of our Group) is offered or becomes aware of any business opportunity to, directly or indirectly, engage in or own any of the Restricted Business (the “**New Business Opportunity**”):

- (a) it/he/she shall or shall within its/her/his power procure its/his/her close associates (other than any member of our Group) to promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide such information as may be reasonably required by our Company in order to enable it to make an informed assessment of such opportunity; and
- (b) it/he/she shall not, and shall within its/her/his power procure that its/his/her close associates (other than any member of our Group) not to, invest or participate in any New Business Opportunity, unless such New Business Opportunity shall have been rejected by our

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Company and the principal terms on which the Covenantor or its/his/her close associates (other than any member of our Group) shall invest or participate in such New Business Opportunity are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a written notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute a Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the New Business Opportunity is received by our Company.

A Covenantor being a Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. The remaining non-interested Directors will be responsible for assessing the New Business Opportunity and making the decision as to whether or not to take up any particular New Business Opportunity.

Right of first refusal

If the Covenantors intend to transfer, sell, lease, license or in any other way transfer their interests in Sundart Beijing and Beijing Gangyuan to any third party (subject to the relevant PRC laws and regulations and the constitutional documents of Sundart Beijing and Beijing Gangyuan) (other than to its wholly-owned subsidiaries or his/her wholly-owned investment vehicles or members of our Group or Jangho Group), the Covenantors shall grant us a right of first refusal to acquire any such interests on terms no less favourable than those made available to any third party (the “**Right of First Refusal**”). Where the Directors other than a Covenantor being a Director decide to waive the Right of First Refusal by way of written notice, the Covenantors may sell or in any other way transfer such interests on such terms which are no more favourable than those made available to our Group.

General undertakings

In order to ensure the performance of the above-mentioned non-competition undertakings, each of the Covenantors will:

- (a) provide all information necessary to our Company and our Directors for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition and the enforcement of the undertakings contained therein by the parties thereto;
- (b) make an annual declaration on compliance with such undertakings in the annual reports of our Company and each of the Covenantors acknowledges that the independent non-executive Directors will review, at least on an annual basis, the compliance with the terms of the Deed of Non-Competition and such undertakings given by each of the Covenantors, including all decisions taken in each quarter of the year on whether to pursue a New Business Opportunity in accordance with the Deed of Non-Competition and our Company will make disclosures in its annual reports or by way of announcements regarding those decisions (including the rationale of those decisions) (as appropriate) and each of them hereby gives its/his/her general consent to such disclosure; and

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- (c) abstain from voting at, and not be counted as part of the quorum of, any meetings of shareholders and/or board of directors of our Company for consideration and approval of any matters referred to in the Deed of Non-Competition which have given rise, or may give rise, to conflicts of interest, actual or potential.

In the event of any disagreement between the parties to the Deed of Non-Competition as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, the matter should be determined by the independent non-executive Directors whose majority decision shall be final and binding.

The Deed of Non-Competition does not apply to any of the following:

- (a) the holding of shares or other securities in our Company and our subsidiaries; and
- (b) if a Covenantor and its/his/her close associate in aggregate own any interest not exceeding five (5) per cent. of the total number of the issued shares in any company conducting any Restricted Business, and such company or its holding company is listed on any recognised stock exchange (as defined under the SFO).

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the conditions set out in “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”.

CORPORATE GOVERNANCE MEASURES

Our Company will also adopt the following procedures to ensure that the undertakings under the Deed of Non-Competition are observed:

- (a) our Company will provide our independent non-executive Directors notice in respect of the New Business Opportunity referred to us by the Controlling Shareholder or the right of first refusal within 10 days from the receipt of such notices;
- (b) if any Controlling Shareholder or Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Articles, Listing Rules and the Deed of Non-Competition regarding voting on such matter;
- (c) our independent non-executive Directors will report, and our Company will disclose in our annual reports, the findings, decisions and the basis of any decisions made by our independent non-executive Directors on the compliance by the Controlling Shareholder with and implementation of the Deed of Non-Competition; and
- (d) our Directors are of the view that they have sufficient experience in assessing whether or not to take up the New Business Opportunity or exercise the right of first refusal. If our Directors consider that approval of the independent Shareholders in respect of such opportunities is required under the Listing Rules, they may appoint an independent financial adviser or other professionals to advise, at the expense of our Company, on whether or not to take up the New Business Opportunity or exercise the right of first refusal under the Deed of Non-Competition Agreement.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into account that (i) our Controlling Shareholders have given non-competition undertakings in favour of our Company and none of them have interests in other businesses that compete or are likely to compete with the business of our Group; and (ii) save as otherwise disclosed in “Connected Transaction”, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and/or their respective close associates upon or immediately after the Listing, and having considered the following factors, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Financial independence

Our Directors are of the view that we do not unduly rely on advances from our Controlling Shareholders and related parties for our business operations. We have established our own financial department with a team of independent financial staff members, who are responsible for the financial control, accounting, financial reporting and credit functions of our Group. We can make financial decisions independently and Jangho Group does not intervene with our use of funds. We also have established independent standardised financial and accounting system and a complete financial management system. In addition, we maintain independent bank accounts.

As at 31 October 2015, we had total banking facilities of approximately HK\$2,345.1 million, of which approximately HK\$1,400.2 million were utilised. In addition, it is expected that upon the Listing, all financial assistance provided by Jangho Group, Mr. Liu and his spouse to our Group would be discharged or substituted by guarantees provided by member(s) of our Group.

Having considered the above factors, our Directors are satisfied that we can conduct our business independently from our Controlling Shareholders from a financial perspective.

Operational independence

Notwithstanding that our Group will have connected transaction with the associates of our Controlling Shareholders after Listing as disclosed in “Connected Transaction”, having considered that the following reasons, our Directors consider that we can operate independently of our Controlling Shareholders from an operational perspective:

- (a) we have independent access to sources of suppliers for the operation of our business, as well as independent access to our customers. We also engage in our business independently, with the independent right to make operational decision and implement such decisions. During the Track Record Period, more than 90% of our revenue was derived from the provision of services by our Group to its customers who were not customers of Jangho Group (the remaining customers, being the same entities who procured different services being fitting-out works and installation of curtain wall services from our Group and Jangho Group, entered into separate service contracts with our Group and Jangho Group);

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- (b) the value of transactions between our Group and our Controlling Shareholders is immaterial and the goods and services provided by our Controlling Shareholders were based on pricing terms which aim to ensure that the pricing is fair and reasonable. For the years ended 31 December 2012, 2013 and 2014 and eight months ended 31 August 2015, only approximately nil%, nil%, 0.03% and 0.01% of our revenue was derived from its related party transactions with Jangho Group, respectively;
- (c) our Directors are of the view that the transaction has been entered into in the ordinary and usual course of business of our Group, that such transaction has been negotiated on arms' length basis, on normal commercial terms and is fair and reasonable and in the interests of the Shareholders as a whole;
- (d) there has been a clear separation of staff of our Group and Jangho Group; and
- (e) we have established a set of internal controls to facilitate the effective operation of our business, independent from our Controlling Shareholders.

Management independence

Board and senior management

Our Board comprises five executive Directors, namely Mr. Ng Tak Kwan, Mr. Leung Kai Ming, Mr. Xie, Mr. Ng Chi Hang and Mr. Pong Kam Keung, one non-executive Director, namely, Mr. Liu and three independent non-executive Directors, namely Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng. Mr. Liu is one of our Controlling Shareholders. Among our Directors, Mr. Liu, Mr. Ng Tak Kwan and Mr. Xie will continue to hold positions in certain members of Jangho Group after the Listing.

Set out below is a table summarising the positions held by our Directors and their directorship or senior management positions with Jangho Group:

Name of Directors	Positions held with our Company	Directorship/senior management positions held with Jangho Group as at the Latest Practicable Date
Mr. Liu	Non-executive Director, chairman of the Board	A director and the chairman of the board of directors of Jangho Co.
Mr. Ng Tak Kwan	Executive Director	A director of three companies in SLDL Group (all non-executive roles)

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Name of Directors	Positions held with our Company	Directorship/senior management positions held with Jangho Group as at the Latest Practicable Date
Mr. Xie	Executive Director	A director of each of Jangho HK, Peacemark Enterprises Limited (a wholly-owned subsidiary of Jangho HK), Advance Finding Investments Limited (a wholly-owned subsidiary of Peacemark Enterprises Limited), Eagle Vision and Elite Tech (all non-executive roles)

Apart from the above, none of our Directors served as director or senior management in Jangho Group or was expected to hold such positions in Jangho Group as at the Latest Practicable Date.

Mr. Ng Tak Kwan and Mr. Xie, our executive Directors, who hold non-executive positions in the Jangho Group, have confirmed that they will devote the majority of their time and efforts to our Group. Mr. Liu, who also holds positions in Jangho Group, is not our executive Director and is therefore not involved in the day-to-day management of our Company, but is primarily responsible for making decisions on strategic matters such as formulation of our general development and strategy and corporate operation strategy as a member of our Board.

In addition, each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation, please see “— Corporate governance measures”.

Our Group is also managed by the senior management who can work and carry on our business independently of our Controlling Shareholders. For details of our senior management, see “Directors and Senior Management”. As at the Latest Practicable Date, none of our senior management served as director or senior management in Jangho Group or was expected to hold such positions in Jangho Group.

As such, notwithstanding our Group is expected to share the aforementioned common directors with certain members of Jangho Group, no such common directors will have overlapping executive roles in both groups at the same time. The management structure of our Group is and will be established in a way such that independence of the daily management and operations of our Group from that of our Controlling Shareholders will be ensured.

Committees

We have established a remuneration committee, a nomination committee and an audit committee comprising of only independent non-executive Directors to monitor our operations.

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The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of our Group. The remuneration committee's role is to ensure that our Controlling Shareholders do not have any influence on the remuneration provided to our Directors. The nomination committee is responsible for reviewing the structure, size and composition of the Board and assessing the independence of our independent non-executive Directors.

Having considered the above factors and in light of the non-competition undertakings given by the Covenantors in favour of our Company (for itself and as trustee for its subsidiaries), our Directors are satisfied that they are able to perform their roles in our Company independently, and are of the view that we are capable of managing our business independently after the Listing.

UNDERTAKINGS

Each of our Company and our Controlling Shareholders has given certain undertakings in respect of the Shares (including those as required by Rules 10.07 and 10.08 of the Listing Rules, as applicable) to our Company, the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters), as applicable, details of which are set out under the "Underwriting — Underwriting Arrangements and Expenses".

CONNECTED TRANSACTION

We have entered into the following transactions with parties who will become our connected persons. Upon Listing, one of such transactions will constitute our continuing connected transaction under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

Connected persons

As at the Latest Practicable Date, Sundart Beijing was owned as to 75% and 25% by Jangho HK and Jangho Co., respectively, and Sundart Dalian was a wholly owned subsidiary of Sundart Beijing. Jangho HK and Jangho Co. are our Controlling Shareholders. Each of Sundart Beijing and Sundart Dalian constitutes an associate of Jangho HK and Jangho Co. and is therefore a connected person of our Company.

Trademark License Agreement

Our Company has entered into the Trademark License Agreement with Sundart Beijing and Sundart Dalian on 4 December 2015. Upon Listing, the transaction under such agreement will constitute a continuing connected transaction of our Company under the Listing Rules.

The following table is a summary of our above continuing connected transaction:

Nature of transaction	Connected persons	Applicable Listing Rules	Waiver sought	License Fees for the year ended 31 December		
				2015 (HK\$)	2016 (HK\$)	2017 (HK\$)
Trademark License Agreement	Sundart Beijing and Sundart Dalian	14A.76(1)(c)	N/A	147,902	1,928,000	1,928,000


Principal terms

Date: 4 December 2015

Parties: (1) our Company as the licensor; and
(2) Sundart Beijing and Sundart Dalian as the licencees

Duration: From the date of the Trademark License Agreement to 31 December 2017 (both dates inclusive) (the “**Licensed Period**”)

CONNECTED TRANSACTION

Transaction: Our Company grants a non-exclusive license to Sundart Beijing and Sundart Dalian for the use of the  Sundart trademark (classes 19, 20, 37 and 42) (the “**Licensed Trademark**”) for their fitting-out business (including interior decoration business) or purposes related to such business in the PRC. For details of the Licensed Trademark, see “Appendix IV — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights — (a) Trademark” to this Prospectus

Undertakings by Sundart Beijing and Sundart Dalian

Sundart Beijing and Sundart Dalian have jointly and severally undertaken to our Company, *inter alia*, that:

1. they may only use the Licensed Trademark properly within the scope of license in accordance with the terms and conditions as set out in the Trademark License Agreement and must not use the Licensed Trademark for any illegal activity or other activity which might adversely affect the reputation of our Company. In addition, they should fully respect our rights in relation to the Licensed Trademark and must not make any change to the characters, graphics or their combinations as contained in the Licensed Trademark without our prior written consent;
2. they shall not use the Licensed Trademark in any manner which may lead to any direct or indirect competition with the principal business of our Group (i.e. carrying out fitting-out works in Hong Kong and Macau, alteration and addition and construction works in Hong Kong and the manufacturing, sourcing and distribution of interior decorative materials business) or which may render any direct or indirect shareholders of Sundart Beijing breaching any of their respective undertakings to any member of our Group (including but not limited to the non-competition undertakings under the Deed of Non-Competition);
3. they shall not sub-license the Licensed Trademark to or allow the use of the Licensed Trademark by any third parties without the prior written consent of our Company;
4. they shall ensure the quality of the services or products provided under the Licensed Trademark and shall indicate their/its own enterprise name(s) on any products so provided (if any). We have the right to monitor the quality of such services or products;
5. they shall exercise reasonable care in discovering any infringement or dispute involving third parties in relation to their use of the Licensed Trademark during the Licensed Period. During the Licensed Period, they shall promptly notify us of any such infringement or dispute upon discovery and take all reasonable measures to prevent or handle such infringement or dispute in a timely manner. In addition, during the Licensed Period if any member of our Group takes any action in respect of such infringement or dispute, they shall use their best endeavours to cooperate;
6. they shall not enter into any agreement or settlement with or give any undertaking in relation to the Licensed Trademark to third party without the prior written consent of our Company; and

CONNECTED TRANSACTION

7. they shall cooperate with our Company to ensure our full compliance with the requirements under the Listing Rules by taking actions or signing documents (including agreements) as may be reasonably required by our Company from time to time.

In addition, Sundart Beijing and Sundart Dalian have agreed to be jointly and severally liable to us on a full indemnity basis for any of their non-compliance with the Trademark License Agreement.

License fees and annual cap

In consideration of the grant of the licence for the use of the Licensed Trademark under the Trademark License Agreement, Sundart Beijing has agreed to pay our Company license fees (the “**License Fees**”) for the Licensed Period in accordance with the schedule set out below:

Licensed period	License Fees	Payment schedule
	(HK\$)	
From the date of the Trademark License Agreement to 31 December 2015 (“ First Period ”)	147,902	Not later than 14 December 2015
From 1 January 2016 to 31 December 2016	1,928,000	Not later than 31 December 2015
From 1 January 2017 to 31 December 2017	1,928,000	Not later than 31 December 2016

Basis for determining the License Fees

In respect of the First Period, the License Fees are calculated based on the actual number of days of such period (being 28 days) at the rate of HK\$1,928,000 per year. The amount of HK\$1,928,000, being the License Fees for each of the years ended 31 December 2016 and 2017 and the basis on which the License Fees for the First Period are calculated, represents approximately 75.4%, 8.6% and 59.3% of the consolidated net profit of Sundart Beijing for the years ended 31 December 2012, 2013 and 2014, respectively, and has been determined after arm’s length negotiations between our Company and Sundart Beijing and with reference to the market license fees as at 30 April 2015 as appraised by 中京民信(北京)資產評估有限公司 (Zhongjing Minxin (Beijing) Assets Appraisal Company Limited) (“**Zhongjing Minxin**”), a qualified and independent valuer. For the qualification of Zhongjing Minxin, please see “Appendix IV — Statutory and General Information — E. Other information — 6. Qualifications of experts” to this Prospectus.

Zhongjing Minxin is of the view that the License Fees under the Trademark License Agreement reflect the fair market value of the Licensed Trademark under the Trademark License Agreement.

Historical figures

During the Track Record Period, there was no historical amount in respect of any license fee paid as Sundart Beijing and Sundart Dalian were subsidiaries of our Company prior to 24 April 2015. For further details, please see “History, Development and Reorganisation — Major acquisition, disposals and shareholding changes of our subsidiaries and associate company during the Track Record Period — Disposal of Sundart Beijing” in this Prospectus. There was therefore no need to charge them any license fee for the license of the Licensed Trademark then.

CONNECTED TRANSACTION

Reasons for and benefits of entering into the Trademark License Agreement

Sundart Beijing and Sundart Dalian have started to use the Licensed Trademark or (prior to the registration of the Licensed Trademark) the trademark identical to the Licensed Trademark for their respective daily business operations since about the time of their respective inception. The continued use of the Licensed Trademark by Sundart Beijing and Sundart Dalian is in line with the previous arrangement in respect of the use of Licensed Trademark among our Group, Sundart Beijing and Sundart Dalian.

Sundart Beijing and Sundart Dalian are reputable fitting-out works providers in the PRC. Their continued use of the Licensed Trademark could assist to build our brand in the PRC, which could in turn increase the brand awareness of the Licensed Trademark among our potential customers who may require fitting-out works in Hong Kong or Macau.

In addition, by granting a license for the use of the Licensed Trademark at the License Fees, our Group is able to generate stable revenue during the Licensed Period without incurring any material costs. Our Directors are of the view that the undertakings given by Sundart Beijing and Sundart Dalian under the Trademark License Agreement can effectively protect the value of the Licensed Trademark, whilst avoiding any actual or potential competition between our Group and our Controlling Shareholders.

As such, our Directors (including our independent non-executive Directors) are of the view that the Trademark License Agreement has been entered into on normal commercial terms and its terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

Given that (i) each of the applicable percentage ratios in respect of the transaction under the Trademark License Agreement is, on an annual basis, less than 5%; (ii) the License Fees for each financial year during the Licensed Period will be less than HK\$3,000,000; and (iii) the transaction under the Trademark License Agreement is and will be conducted on normal commercial terms, the same transaction falls within the *de minimis* threshold as stipulated under Rule 14A.76(1)(c) of the Listing Rules and will be fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ONE-OFF TRANSACTION

Connected person

As at the Latest Practicable Date, Jangho Macau was owned as to 99% and 1% by Jangho Co. and Jangho HK, respectively. As Jangho Macau is an associate of Jangho Co., which is one of our Controlling Shareholders, Jangho Macau is a connected person of our Company.

CONNECTED TRANSACTION

Design, Supply and Installation Agreement

Sundart Macau, one of our wholly-owned subsidiaries, has entered into a sub-contracting agreement in relation to the design, supply and installation of window and louver system with Jangho Macau on 27 March 2014 (the “**Design, Supply and Installation Agreement**”), pursuant to which Sundart Macau agreed to subcontract certain design, supply and installation of window and louver system works for a Macau hotel podium to Jangho Macau.

According to the Design, Supply and Installation Agreement, the total sub-contracting sum is approximately MOP62.7 million. Such consideration was arrived at after arm’s length negotiations between Sundart Macau and Jangho Macau and was determined with reference to, among other things, (i) the pre-agreed unit price for products and services to be provided by Jangho Macau, which was in turn determined with reference to, *inter alia*, the prevailing market price of comparable products and services as well as the fee we would charge the client for such products and services and our expected profit margin in relation thereto; and (ii) the amount or volume of products and services to be provided by Jangho Macau, based on the drawings and specifications of the relevant project. As such, our Directors (including our independent non-executive Directors) are of the view that the Design, Supply and Installation Agreement has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and its terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

All the works contemplated under the Design, Supply and Installation Agreement (which were initially anticipated to be completed in or around August 2015) are currently expected to be substantially completed by March 2016.

Listing Rules implications

The Design, Supply and Installation Agreement is regarded as a one-off transaction entered into by our Group prior to Listing. As such, the transaction contemplated thereunder will not constitute continuing connected transaction of our Group under Chapter 14A of the Listing Rules and will not be subject to further requirements under the Listing Rules. Our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules should there be any material change to the terms of the Design, Supply and Installation Agreement or if we enter into any connected transaction in relation thereto after Listing.

RELATED PARTY TRANSACTIONS

Upon Listing, the transactions between our Group and our connected person(s) will constitute connected transactions under Chapter 14A of the Listing Rules. The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under the Hong Kong Accounting Standard 24 “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, the connected transaction as set out in this section may differ from the related party transactions of our Group. Details of our related party transactions during the Track Record Period are set out in note 42 of section A of the accountants’ report in Appendix I to this Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of nine Directors, of whom five are executive Directors, one is non-executive Director and three are independent non-executive Directors. Our Board is responsible for and has general powers on the management and conduct of our business. The following table sets forth certain information of our Directors as at the Latest Practicable Date.

Name	Age	Present position/title	Date of joining our Group	Date of appointment as a Director	Role and responsibilities
Mr. Ng Tak Kwan (吳德坤)	61	Executive Director and chief executive officer	September 1986	1 August 2003	Responsible for the overall management of the business development of our Group; serving as a member of the remuneration committee
Mr. Leung Kai Ming (梁繼明)	62	Executive Director	September 1986	1 April 2009	Responsible for overseeing the manufacturing, technical and engineering activities and sourcing and distribution of materials of our Group
Mr. Xie Jianyu (謝健瑜)	36	Executive Director and chief financial officer	June 2012	26 June 2012	Responsible for overseeing the financing, accounting and internal control, human resource and administrative management of our Group; serving as a member of the internal control committee
Mr. Ng Chi Hang (吳智恒)	39	Executive Director	September 2005	23 July 2015	Responsible for overseeing the overall operation of our Group in Macau
Mr. Pong Kam Keung (龐錦強)	54	Executive Director	July 2013	23 July 2015	Responsible for overseeing the execution of the fitting-out projects and the legal and compliance matters of our Group; serving as a member and the chairman of the internal control committee
Mr. Liu Zaiwang (劉載望)	43	Chairman and non-executive Director	July 2012 (Note)	23 July 2015	Responsible for the overall strategy, investment planning and human resource strategy of our Group; serving as a member and the chairman of the nomination committee

Note: Mr. Liu joined our Group when Jangho Co. acquired 85% interests in our Company

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Date of joining our Group	Date of appointment as a Director	Role and responsibilities
Mr. Tam Anthony Chun Hung (譚振雄)	65	Independent non-executive Director	1 December 2015	1 December 2015	Serving as a member of each of the audit and remuneration committees and the chairman of the audit committee; advising on corporate governance, connected transactions and other corporate and compliance matters of our Group
Mr. Huang Pu (黃璞)	43	Independent non-executive Director	1 December 2015	1 December 2015	Serving as a member of each of the audit, remuneration and nomination committees and the chairman of the remuneration committee; advising on corporate governance of our Group
Mr. Li Zheng (李正)	58	Independent non-executive Director	1 December 2015	1 December 2015	Serving as a member of each of the audit and nomination committees; advising on corporate governance of our Group

Executive Directors

Mr. Ng Tak Kwan (吳德坤), aged 61, is our executive Director and chief executive officer. He is also a director of each subsidiary of our Company. Mr. Ng is one of the founders of our Group. He has been mainly focusing on our Group's daily operations since our commencement of business in 1986. He is also a member of the remuneration committee. Mr. Ng left our Group in 1996 and re-joined us in October 1998. Currently, Mr. Ng is primarily responsible for the overall management of the business development of our Group. Mr. Ng obtained a bachelor degree of science in civil engineering from the University of Calgary, Canada in June 1978.

For Mr. Ng's non-executive roles in Jangho Group, please see "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence".

Mr. Ng was an executive director of Rykadan Capital Limited, a company listed on the Stock Exchange (stock code: 2288) and principally engaged in the business of real estate development, real estate investment and distribution of building materials, from August 2009 to 20 August 2015 and has been a non-executive director of Rykadan Capital Limited since 21 August 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct or solvent company may be dissolved by way of deregistration. It is confirmed by Mr. Ng that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
Sundart Investment Company Limited (承達投資有限公司)	Never commenced business	19 May 2001	28 September 2001
Sunmen (Tianjin) Company Limited (新勉(天津)有限公司)	Inactive	9 July 2001	16 November 2001
Sunmen (Harbin) Limited (新勉(哈爾濱)有限公司)	Inactive	12 October 2001	22 February 2002
Sundart Build Idea Limited (承達創建有限公司)	Inactive	17 June 2008	31 October 2008
Sunmen Company Limited (新勉有限公司)	Inactive	13 November 2008	3 April 2009

Mr. Ng was a director of Sundart Emirates, a limited liability company incorporated in Abu Dhabi on 18 May 2010 which was engaged in the provision of interior design implementation works in the Middle East. Because it did not have any business operations and any material assets during the Track Record Period, Sundart Emirates commenced its striking off proceeding in June 2015 and was struck off from the records of the Department of Economic Development of Abu Dhabi on 15 September 2015. The striking off was on a voluntary basis initiated by the then shareholders in accordance with Abu Dhabi law.

Mr. Leung Kai Ming (梁繼明), aged 62, is our executive Director. He is also a director of each of Glory Spring, Sundart Products, Sundart International, Sundart International (Macau), Sundart Living, Grace United, Sundart Timber, Dongguan Sundart, Sundart Engineering (Far East) and Sundart Macau. Mr. Leung is one of the founders of our Group's business. He left our Group in July 2006 and re-joined us in April 2009. Currently, he is mainly responsible for overseeing the manufacturing, technical and engineering activities and sourcing and distribution of materials of our Group. Mr. Leung is the inventor of each of the patents set out in "Appendix IV — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights — (b) Patent" to this Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct or solvent company may be dissolved by way of deregistration. It is confirmed by Mr. Leung that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
Sundart Investment Company Limited (承達投資有限公司)	Never commenced business	19 May 2001	28 September 2001
Sunmen (Tianjin) Company Limited (新勉(天津)有限公司)	Inactive	9 July 2001	16 November 2001
Sunmen (Harbin) Limited (新勉(哈爾濱)有限公司)	Inactive	12 October 2001	22 February 2002
Sunmen Company Limited (新勉有限公司)	Inactive	13 November 2008	3 April 2009

Mr. Leung was a director of Sundart Emirates, a limited liability company incorporated in Abu Dhabi on 18 May 2010 which was engaged in the provision of interior design implementation works in the Middle East. Because it did not have any business operations and any material assets during the Track Record Period, Sundart Emirates commenced its striking off proceeding in June 2015 and was struck off from the records of the Department of Economic Development of Abu Dhabi on 15 September 2015. The striking off was on a voluntary basis initiated by the then shareholders in accordance with Abu Dhabi law.

Mr. Xie Jianyu (謝健瑜), aged 36, is our executive Director and chief financial officer. He is also a director of each subsidiary of our Company. He joined us in June 2012 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management of our Group. He is also a member of the internal control committee.

Prior to joining us, Mr. Xie was the financial manager of cost control department of ATLANTIS Holding Norway AS from March 2006 to December 2008, the chief accountant of Workz Middle East FZE from January 2009 to March 2010 and the financial director of Middle East & North Africa Group of J&H Emirates LLC from April 2010 to June 2012. Mr. Xie obtained a bachelor degree in economics from Xiamen University (廈門大學), the PRC in July 2001. Mr. Xie became a certified management accountant of the Institute of Management Accountants, the USA and a member of the Association of Chartered Certified Accountants in February 2008 and September 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie was a director of Sundart Emirates, a limited liability company incorporated in Abu Dhabi on 18 May 2010 which was engaged in the provision of interior design implementation works in the Middle East. Because it did not have any business operations and any material assets during the Track Record Period, Sundart Emirates commenced its striking off proceeding in June 2015 and was struck off from the records of the Department of Economic Development of Abu Dhabi on 15 September 2015. The striking off was on a voluntary basis initiated by the then shareholders in accordance with Abu Dhabi law.

For Mr. Xie's non-executive roles in Jangho Group, please see "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence".

Mr. Ng Chi Hang (吳智恆), aged 39, is our executive Director. He joined us as a quantity surveyor in Sundart Timber in September 2005 and is mainly responsible for overseeing the overall operation of our Group in Macau.

Prior to joining us, Mr. Ng was a quantity surveyor of Bridgewater & Coulton Ltd from April 2000 to September 2002. Mr. Ng obtained a bachelor degree of science in surveying from the University of Hong Kong, Hong Kong in December 1998 and a master degree of science in construction and real estate from the Hong Kong Polytechnic University, Hong Kong in November 2004. He became a member of the Hong Kong Institute of Surveyors and professional member of the Royal Institution of Chartered Surveyors in February 2003. He has been a registered professional surveyor in the quantity surveying division of the Surveyors Registration Board of Hong Kong since April 2005.

Mr. Pong Kam Keung (龐錦強), aged 54, is our executive Director. He joined us as a project director in Kin Shing in July 2013 and is mainly responsible for overseeing the execution of the fitting-out projects and the legal and compliance matters of our Group. He is also a member and the chairman of the internal control committee.

Prior to joining us, Mr. Pong was the chief prosecution officer of Environmental Protection Department of the Hong Kong Government from July 2004 to July 2013. He was a member of the Appeal Tribunal Panel of the Housing, Planning and Lands Bureau of the Hong Kong Government from February 2007 to November 2012 and a member of the Advisory Committee on Barrier Free Access of the Buildings Department from August 2001 to July 2003. Mr. Pong served as a director of education and membership of the Hong Kong Institute of Facility Management from October 2008 to October 2009.

Mr. Pong obtained a bachelor degree of science in building surveying from the Thames Polytechnic, United Kingdom in June 1989, a master degree of science in property investment from the City University of London, United Kingdom in December 1993, a bachelor degree of laws from the University of Wolverhampton, United Kingdom in September 1995, a master degree of science in urban planning from the University of Hong Kong, Hong Kong in December 2005 and a master degree of corporate governance from the Hong Kong Polytechnic University, Hong Kong in October 2008.

Mr. Pong has been a fellow of the Hong Kong Institute of Facility Management, the Hong Kong Institute of Surveyors, the Chartered Institute of Arbitrators, the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Chartered Secretaries and a member of the Royal Town Planning Institute since July 2000, November 2000, January 2001, January 2006, October 2012 and January 2007, respectively. Mr. Pong registered as a chartered building engineer by the Chartered Association of Building Engineers in February 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Pong was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct or solvent company may be dissolved by way of deregistration. It is confirmed by Mr. Pong that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
Master Bright International Limited (萬光國際有限公司)	Inactive	24 August 2005	30 December 2005
New China Investment Limited (新中國投資有限公司)	Inactive	24 August 2005	30 December 2005

Non-executive Director

Mr. Liu Zaiwang (劉載望), aged 43, is our chairman and non-executive Director. Mr. Liu is primarily responsible for the overall strategy, investment planning and human resource strategy of our Group. He is also a member and the chairman of the nomination committee.

Mr. Liu has been involving in the curtain wall and construction materials industry since February 1999 when he founded our Controlling Shareholder, Jangho Co., the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886). He is the legal representative, director and chairman of Jangho Co. and is responsible for the overall management of Jangho Co.. Mr. Liu also assumes several social positions including the member of standing committee of the National People's Congress of Shunyi District, Beijing, the PRC (北京市順義區人民代表大會常務委員) and the vice-chairman of the board of the Northeastern University (東北大學), the PRC.

Independent non-executive Directors

Mr. Tam Anthony Chun Hung (譚振雄), aged 65, is an independent non-executive Director. He is also a member of each of the audit and remuneration committees and the chairman of the audit committee.

Mr. Tam has over 18 years of experience in international taxation. Mr. Tam was a tax partner of Deloitte Touche Tohmatsu from 1997 to 2013. Since January 2013, Mr. Tam has been a partner in the tax department of Mazars CPA Limited. Mr. Tam is an independent non-executive director of Colour Life Services Group Co., Limited, a company listed on the Stock Exchange (stock code: 1778).

Mr. Tam obtained a bachelor degree of engineering and management from McMaster University, Canada in May 1976 and a master degree of business administration in finance from the University of Toronto, Canada in November 1983. He became a member of the Institute of Chartered Accountant of Ontario, Canada in March 1981 and a fellow member of the Hong Kong Institute of Certified Public Accountants in February 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam was the director of the following companies which were incorporated in Hong Kong and deregistered pursuant to section 291AA of the Predecessor Companies Ordinance which provides that a defunct or solvent company may be dissolved by way of deregistration. It is confirmed by Mr. Tam that all the following deregistrations were made voluntarily by way of submitting applications to the Companies Registry of Hong Kong because these companies had either never commenced business or operation or ceased to carry on business or operation for more than three months immediately before the relevant application. The relevant details are as follows:

Name of company	Nature of business	Date of submission of application for deregistration	Date of deregistration
Asset Vantage Investments Limited	Inactive	23 May 2000	29 September 2000
Parkway Enterprise Limited (栢聯洋行有限公司)	Inactive	28 July 2003	5 December 2003

Mr. Tam was the director of Phoenixfield Developments Limited (鳳輝發展有限公司), which was incorporated in Hong Kong. Phoenixfield Developments Limited was wound up by way of creditors' voluntary winding up commenced on 9 April 1999 and completed on 4 January 2000.

Mr. Huang Pu (黃璞), aged 43, is an independent non-executive Director. He is also a member of each of the audit, remuneration and nomination committees and the chairman of the remuneration committee.

Mr. Huang worked in Huifu Investment Information Limited* (匯富投資資訊有限公司) from May 2001 to June 2003. Currently, Mr. Huang is an investment consultant in Beijing Dazhong Investment Co., Ltd (北京大中投資有限公司). He obtained a bachelor degree in statistics, a master degree in economics and a doctoral degree in finance from the Renmin University of China (中國人民大學), the PRC in July 1993, July 1996 and July 1999, respectively.

Mr. Li Zheng (李正), aged 58, is an independent non-executive Director. He is also a member of each of the audit and nomination committees.

Mr. Li has over 25 years of experience in legal practice. Mr. Li was a partner of Guangdong Run & Race Law Firm* (廣東仁人律師事務所) from June 1996 to July 2010 and has been a partner of Guangdong Shentiancheng Law Firm* (廣東深天成律師事務所) since August 2010. He is an independent director of Shenzhen Nanshan Power Co., Ltd (深圳南山熱電股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000037), an independent director of Dalian Sunasia Tourism Holding Co., Ltd (大連聖亞旅遊控股股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600593) and an independent director of Shenzhen Eternal Asia Supply Chain Management Ltd (深圳市怡亞通供應鏈股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 002183).

Mr. Li obtained a bachelor degree of laws from Jilin University (吉林大學), the PRC in August 1983 and qualified as a lawyer in the PRC in June 1989. He was accredited as "Outstanding Young Lawyer (優秀中青年律師)" by Zhejiang Provincial Department of Justice (浙江省司法廳) and Zhejiang Law Society (浙江省律師協會) in October 1989. Mr. Li obtained the training certification of independent director in March 2011, October 2013 and July 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, none of our Directors held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus, and there was no other information in respect of our Directors to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there was no other matter concerning his directorship with our Company that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth certain information of our senior management as at the Latest Practicable Date:

Name	Age	Position	Roles and responsibilities	Date of joining our Group
Mr. Chung Tsz Lung Jimmy (鍾子龍)	55	Assistant general manager	Responsible for overseeing the operation of the projects in high-end commercial properties, planning and supervising the tender procedure and subcontracting	August 2000
Mr. Chan Chung Ming (陳仲明)	47	Design manager	Responsible for overseeing the interior fitting-out works and monitoring the progress of design application for the projects	September 2000
Mr. Chan Hak Man (陳克民)	60	Senior project manager	Responsible for organising the projects and monitoring the progress of the projects	November 2007
Mr. Chiu Yeuk Ho (趙若濠)	55	Senior project manager	Responsible for organising the projects and monitoring the progress of the projects	June 2004
Mr. Chan Tze Chiu (陳子昭)	52	Senior project manager	Responsible for organising the projects and monitoring the progress of the projects	January 2008
Mr. Lau Mong Yu Alex (劉夢如)	53	Purchasing manager	Responsible for coordinating all purchasing activities of our Group	August 2003
Ms. Chui Muk Heung (徐木香)	46	Chief accountant	Responsible for the financial and accounting matters of our Group	November 2003
Mr. To Ka Wah Kevin (杜嘉華)	42	Contracts manager	Responsible for participating in tender and quotation and handling contracts related matters	March 2013
Mr. Man Pui Kwan (文沛堃)	59	Managing director	Responsible for the day-to-day management of Kin Shing	September 2010

DIRECTORS AND SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business.

Mr. Chung Tsz Lung Jimmy (鍾子龍), aged 55, is the assistant general manager of Sundart Timber. He joined us in August 2000 and is mainly responsible for overseeing the operation of the projects in high-end commercial properties and planning and supervising the tender procedure and subcontracting.

Prior to joining us, Mr. Chung worked as quantity surveyor, contracts manager, assistant maintenance supervisor and project manager in various companies in Hong Kong and Canada. Mr. Chung's employment history is set out in the table below:

Period of employment	Company	Principal business	Position/Title	Roles and responsibilities
July 1983– April 1984	T.K. Shen Construction Co. Ltd (怡泰建築有限公司)	Construction engineering	Quantity surveyor	Quantity surveying
April 1984– May 1988	Fiona Construction Co. Ltd	Construction engineering	Contract manager	Contracts administration and quantity surveying
November 1988– March 1990	Metropolitan Toronto Housing Authority, Canada	Provision of social housing	Unit maintenance inspector	Management of repairing projects
March 1990– September 1994	Metropolitan Toronto Housing Authority, Canada	Provision of social housing	Assistant maintenance supervisor	Management of repairing projects
April 1995– February 1996	China Link Construction Company Limited (中寧建築有限公司)	Construction engineering	Project manager	Construction works management
April 1996– July 1999	Sundart (Cil) Engineering Limited (承達建材工程有限公司)	Construction engineering	Project manager	Site management in relation to construction projects
November 1996– September 1999	Collections Interior Limited (建材室內裝飾有限公司)	Interior construction	Project manager	Site management in relation to construction projects
October 1999– August 2000	Bovis Lend Lease Limited	Construction engineering	Project manager	Project management

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chung obtained a higher diploma and associateship in building technology and management from the Hong Kong Polytechnic, Hong Kong (now known as the Hong Kong Polytechnic University, Hong Kong) in November 1982 and November 1983, respectively. Mr. Chung became a member of the Chartered Institute of Building of the United Kingdom in March 1988.

Mr. Chan Chung Ming (陳仲明), aged 47, is the design manager of Sundart Timber. He joined us as design coordinator in September 2000. He is mainly responsible for overseeing the interior fitting-out works and monitoring the progress of design application for the projects.

Mr. Chan has 20 years' experience in interior design and shop drawing presentation of interior decorations for various types of buildings. Prior to joining us, Mr. Chan was a design coordinator in Sundart (CIL) Engineering Limited (承達建材工程有限公司) from July 1996 to July 1999. Mr. Chan was awarded a certificate in building studies (architectural) from the Morrison Hill Technical Institute, Hong Kong in August 1992 and attended the ISO14001:2004 introduction training in the Hong Kong Quality Assurance Agency in 2009. He graduated from the City University of Hong Kong, Hong Kong in December 1996 with a higher diploma in architectural studies.

Mr. Chan Hak Man (陳克民), aged 60, is the senior project manager of Sundart Timber. He joined us in November 2007 and is mainly responsible for organising the projects and monitoring the progress of the projects.

Prior to joining us, Mr. Chan worked for several companies, mainly in the areas of civil engineering and interior design. Mr. Chan's employment history is set out in the table below:

Period of employment	Company	Principal business	Position/Title	Roles and responsibilities
January 1987– August 1988	Ronald Lu & Partners (呂元祥建築師事務所) (Formerly known as Ronald Lu & Associates (呂元祥建築設計事務所))	Architect, engineering, interior design	Interior designer	Designing, drafting of tender drawing, administration and site coordination
August 1988– February 1992	P&T Architects and Engineers Ltd.	Interior design	Interior designer	Design development, documentation, furniture design, design management and site supervision
December 1994– May 1996	K&F Interiors Co., Ltd	Interior design	Construction manager	Project management
May 1996– December 1998	Super Worth Contracting Co., Ltd (富緯營造工程 有限公司)	Civil engineering	Project manager	Project management
February 1999– May 2000	Hong Kong Teakwood Works Ltd (香港柚木製 品有限公司)	Civil engineering	Senior project manager	Project management

DIRECTORS AND SENIOR MANAGEMENT

Period of employment	Company	Principal business	Position/Title	Roles and responsibilities
May 2000– June 2001	Wellfine Contracting (HK) Ltd (偉發裝璜(香港)有限公司)	Civil engineering	Senior project manager	Project management and site supervision
September 2001– October 2007	Yearfull Contracting Limited (怡富工程有限公司)	Civil engineering	Senior project manager	Project management

Mr. Chan was awarded a certificate in furniture design from the Technical Institute of the Education Department of Hong Kong in July 1981.

Mr. Chiu Yeuk Ho (趙若濠), aged 55, is the senior project manager of Sundart Timber. He joined us as quality assurance officer in June 2004 and was promoted to project manager in April 2005. He is mainly responsible for organising the projects and monitoring the progress of the projects.

Mr. Chiu has accumulated over 30 years' experience in construction industry. He started his career as an assistant engineering in Shui On Construction Co., Limited (瑞安建築有限公司) from February 1984 to July 1987. After that, he was a project coordinator and estimator of Arrow Aluminum Products Ltd from 1987 to October 1992 and a project manager of Pentad Construction Co., Ltd (大有建築有限公司) from November 1992 to March 1996. He was a project manager of G+H Montage (Hong Kong Projects) Ltd from July 1996 to October 1997. Mr. Chiu was a senior project coordinator of Hyundai Engineering & Construction Co., Ltd from November 1997 to June 2004. Mr. Chiu obtained a bachelor degree in geography-survey science from the University of Alberta, Canada in June 1984.

Mr. Chan Tze Chiu (陳子昭), aged 52, is the senior project manager of Sundart Timber. He joined us as project manager in January 2008 and was promoted to a senior project manager in July 2013. He is mainly responsible for organising the projects and monitoring the progress of the projects.

Prior to joining us, Mr. Chan was the project manager of Enful Engineering Limited from August 1988 to August 1998. Mr. Chan obtained a bachelor degree in civil engineering from the Huaqiao University (華僑大學), the PRC in July 1987.

Mr. Lau Mong Yu Alex (劉夢如), aged 53, is our purchasing manager. He joined us as a senior purchasing officer in August 2003. He is mainly responsible for coordinating all purchasing activities of our Group.

With over 20 years of experience in the procurement field, Mr. Lau is experienced in procuring professional timber products and building and decoration related materials. Prior to joining us, Mr. Lau was the purchasing manager of Hong Kong Teakwood Works Limited (香港柚木製品有限公司) from March 1994 to October 2001.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chui Muk Heung (徐木香), aged 46, is the chief accountant of our Company. She joined us as a senior accountant in November 2003. She is mainly responsible for the financial and accounting matters of our Group.

Before joining our Group, Ms. Chui had worked as accounting professional in various companies including construction materials firms and accounting firms. She was employed as an accountant by K. Wah Construction Materials (Hong Kong) Limited (嘉華建材(香港)有限公司) in July 1997 and promoted to an assistant accounts manager in June 2001 and left in August 2002. Ms. Chui was accredited as an accounting technician in November 1990. She became a member of the Association of Chartered Certified Accountants in February 2000 and an associate of the Hong Kong Institute of Certified Public Accountants in March 2000.

Mr. To Ka Wah Kevin (杜嘉華), aged 42, is the contracts manager of Sundart Timber. He joined us in March 2013 and is mainly responsible for participating in tender and quotation and handling contracts related matters.

Prior to joining us, Mr. To had previously worked for several engineering companies and interior design companies. Mr. To's employment history is set out in the table below:

Period of employment	Company	Principal business	Position/Title	Roles and responsibilities
March 1997– February 1998	Farman Bonser & Associates	Engineering	Assistant quantity surveyor	Quantity surveying
August 1998– August 2002	Hyundai Engineering & Construction Co., Ltd	Engineering	Quantity surveyor	Quantity surveying
September 2002– June 2004	Downer Construction (Hong Kong) Ltd	Engineering	Quantity surveyor	Quantity surveying
June 2004– May 2005	Legend Interiors Ltd	Interior design	Project quantity surveyor	Quantity surveying
May 2005– January 2007	B.S.C Interior Contract & Engineering Co. Ltd	Interior design	Quantity surveyor	Quantity surveying

Mr. To obtained a bachelor degree of building in construction economics from the University of Technology, Australia in May 1998.

Mr. Man Pui Kwan (文沛堃), aged 59, is the managing director of Kin Shing. He joined us as commercial director in September 2010. He is mainly responsible for the day-to-day management of Kin Shing.

Mr. Man has over 35 years of experience in the field of quantity surveying and contracts management. Before founding his own business in early 1990, Mr. Man was employed as an assistant quantity surveyor in Rawlinson, Russell & Partners, a quantity surveying and construction cost consulting firm, in July 1980 and was promoted to a quantity surveyor in March 1984 and held the position until July 1987. He was then employed as a quantity surveyor in the Quantity Surveying branch of the Architectural Services Department of the Hong Kong Government from July 1987 to March 1990. Mr. Man set up his own company, Forewin Consultants Ltd, in early 1990 and since then has been acting as an executive director, mainly responsible for its general operation.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Man obtained a bachelor degree of science in quantity surveying from the Thames Polytechnic of London, United Kingdom in June 1980. Mr. Man has been a professional associate of the Royal Institute of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a member of the Chartered Institute of Arbitrators since January 1984, June 1997 and September 1999, respectively.

COMPANY SECRETARY

Mr. Pong Kam Keung (龐錦強) was appointed as the company secretary of our Company on 3 August 2015. He is one of the executive Directors of our Company. Please refer to “— Board of Directors — Executive Directors” for details of his qualifications.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a remuneration committee, a nomination committee and an internal control committee. The committees operate in accordance with the terms of reference established by the Board.

Audit committee

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 1 December 2015 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures of our Group. The audit committee comprises Mr. Tam Anthony Chun Hung, Mr. Huang Pu and Mr. Li Zheng, all being independent non-executive Directors. Mr. Tam Anthony Chun Hung is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 1 December 2015 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee comprises Mr. Huang Pu, Mr. Ng Tak Kwan and Mr. Tam Anthony Chun Hung. Mr. Huang Pu is the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 1 December 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee of our Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The nomination committee comprises Mr. Liu Zaiwang, Mr. Huang Pu, and Mr. Li Zheng. Mr. Liu Zaiwang is the chairman of the nomination committee.

Internal control committee

Our Company established an internal control committee pursuant to a resolution of our Directors passed on 1 December 2015 with written terms of reference. The primary functions of the internal control committee of our Company include monitoring our exposure to sanctions law risks and the implementation of the related internal control procedures, as well as screening new business or clients which may have a risk of breach of the United States, EU and Australian Sanctions to ensure our business will not be in breach of such sanctions. The internal control committee comprises Mr. Pong Kam Keung and Mr. Xie Jianyu. Mr. Pong Kam Keung is the chairman of the internal control committee.

REMUNERATION POLICY

Our Directors and senior management receive remuneration, including salaries, benefits in kind and discretionary incentives with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

The aggregate amount of remuneration which was paid by our Company to the five highest paid individuals for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015 were approximately HK\$7.0 million, HK\$9.3 million, HK\$15.1 million and HK\$12.5 million respectively.

The aggregate amount of remuneration which was paid to our Directors for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015 were approximately HK\$2.9 million, HK\$6.6 million, HK\$6.2 million and HK\$7.6 million respectively. None of our Directors waived any remuneration during the aforesaid periods.

After Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to our Group, and the performance of our Group. After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

Save as disclosed in this section and in “Appendix IV — Statutory and General Information — C. Further information about our Directors and substantial shareholders — 1. Directors — (c) Remuneration of Directors” to this Prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended 31 December 2012, 2013 and 2014 and eight months ended 31 August 2015.

DIRECTORS AND SENIOR MANAGEMENT

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any office in connection with the management of the affairs of any members of our Group.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital as our compliance adviser (the “**Compliance Adviser**”) on 3 August 2015 pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, at the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this Prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date of despatch of the annual report of our Company in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 1 December 2015 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for the Shares. The principal terms of the Share Option Scheme are summarised in “Appendix IV— Statutory and General Information — D. Share Option Scheme” in this Prospectus.

SHARES

Our Company is authorised to issue an unlimited number of shares and our Shares do not have any par value. The following is a description of Shares in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

5,100	Shares in issue as at the date of this Prospectus
1,499,994,900	Shares to be issued pursuant to the Capitalisation Issue
<u>500,000,000</u>	Shares to be issued pursuant to the Global Offering
<u><u>2,000,000,000</u></u>	

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the issues of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by us under the general mandates referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this Prospectus and, in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this Prospectus (save for the entitlement under the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering being unconditional, our Directors have been granted a general mandate to allot, issue and deal with such number of Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustments of rights to subscribe for Shares under options and warrants or a special authority granted by the shareholders of our Company in general meeting) with an aggregate number of Shares of not more than:

- (i) 20% of the total number of the Shares in issue immediately following the completion of the the Capitalisation Issue and Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and
- (ii) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

SHARES

This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the shareholders of our Company in a general meeting.

For further details of this general mandate, please see “Appendix IV — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015” to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase such number of Shares (Shares which may be listed on the Stock Exchange) with an aggregate number of Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Appendix IV — Statutory and general information — A. Further information about our Company — 6. Repurchase by our Company of its own securities” to this Prospectus.

This mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the shareholders of our Company in a general meeting.

For further details of this share repurchase mandate, please see “Appendix IV — Statutory and General Information — A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015” to this Prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 1 December 2015. Further details of the rules of the Share Option Scheme are set out in “Appendix IV — Statutory and General Information — D. Share Option Scheme” to this Prospectus.

SHARES

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the BVI Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution amend the Memorandum to increase or reduce the maximum number of Shares that our Company is authorised to issue, or to authorise our Company to issue an unlimited number of Shares. Subject to the Memorandum and Articles, our Company may by ordinary resolution (i) combine its Shares, including issued Shares, into a smaller number of Shares; or (ii) sub-divide its Shares, or any of them, into a greater number of Shares. For details, see “Appendix III — 2. Articles of Association — (c) Alteration of capital” to this Prospectus.

Pursuant to the BVI Companies Act and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see “Appendix III — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” to this Prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest/ Capacity	Immediately after completion of the Capitalisation Issue and the Global Offering	
		Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholding
Reach Glory	Beneficial owner	1,500,000,000	75%
Jangho HK <i>(Note 2)</i>	Interest in controlled corporation	1,500,000,000	75%
Jangho Co. <i>(Note 3)</i>	Interest in controlled corporation	1,500,000,000	75%
Beijing Jiangheyuan <i>(Note 4)</i>	Interest in controlled corporation	1,500,000,000	75%
Xinjiang Jianghe Huizhong Equity Investment Limited Partnership (新疆江河匯 眾股權投資有限合夥企業) ("Xinjiang Jianghe Huizhong") <i>(Note 5)</i>	Interest in 10% or more of Shares	202,950,000	10.1475%
Mr. Liu <i>(Note 6)</i>	Interest in controlled corporation	1,500,000,000	75%
Ms. Fu <i>(Note 7)</i>	Interest of spouse	1,500,000,000	75%

SUBSTANTIAL SHAREHOLDERS

Notes:

1. All interests stated are long positions.
2. Reach Glory is beneficially wholly owned by Jangho HK and therefore Jangho HK is deemed to be interested in the Shares held by Reach Glory under the SFO.
3. Jangho HK is beneficially wholly owned by Jangho Co. and therefore Jangho Co. is deemed to be interested in the Shares held by Jangho HK through Reach Glory under the SFO.
4. Ms. Fu, the spouse of Mr. Liu, is the sole director of Beijing Jiangheyuan. The board of directors of Jangho Co. is controlled by Beijing Jiangheyuan and therefore Beijing Jiangheyuan is deemed to be interested in the Shares held by Jangho Co. through Jangho HK and Reach Glory under the SFO.
5. Jangho Co. is 13.53% beneficially owned by Xinjiang Jianghe Huizhong. As such, our Company is indirectly owned as to 10.1475% by Xinjiang Jianghe Huizhong immediately after completion of the Capitalisation Issue and the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), respectively.
6. Jangho Co. is approximately 27.35% beneficially owned by Beijing Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 24.70% beneficially owned by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the Shares held by Jangho Co. through Jangho HK and Reach Glory under the SFO.
7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the Shares held by Mr. Liu under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of Shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial information including the notes thereto, as set forth in the accountants' report in Appendix I to this Prospectus. The accountants' report has been prepared on the basis set out in Appendix I to this Prospectus and in accordance with our accounting policies that are in conformity with HKFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties some of which are beyond our control. Factors that could cause or contribute to such differences include those described in the section entitled "Risk Factors" and elsewhere in this Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are one of the leading integrated fitting-out contractors in Hong Kong and Macau, specialising in providing professional fitting-out works for residential property and hotel projects. We have been operating our fitting-out business in Hong Kong since 1996 and we further expanded our fitting-out business to Macau in 2005. In addition, we acquired Kin Shing, a general building contractor in October 2010 to expand our capability as a general building contractor for construction, interior decoration, repair, maintenance and alteration and addition works for residential properties, hotels, factories, and commercial projects. Further, we manufacture interior decorative timber products such as fire-rated timber doors and wooden furniture, through Dongguan Sundart, the majority of which are used for our projects.

We have undertaken a number of sizeable fitting-out projects in Hong Kong and Macau. As a fitting-out contractor, we are responsible for the overall project implementation by providing, processing or arranging for the necessary materials, labour, engineering expertise and technical know-how required for the fitting-out works and carrying out corresponding project management so as to ensure that the fitting-out works conform to the contractual requirements, meet customers' expectation and are completed on time and within budget.

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our revenue from continuing operations was HK\$1,753.0 million, HK\$1,632.2 million, HK\$2,336.7 million and HK\$2,701.2 million, respectively, and our profit for continuing operations was HK\$107.2 million, HK\$126.5 million, HK\$175.4 million and HK\$263.0 million, respectively. In addition, for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, our profit from discontinued operations amounted to HK\$2.6 million, HK\$22.4 million, HK\$3.3 million and HK\$9.4 million, respectively. We believe that our growth in revenue and gross profit is principally attributable to our success in achieving effective economies of scale in the overall business model, cost control system, maintaining high quality of services and having an experienced and dedicated management team. Leveraging on the diverse nature and number of fitting-out projects undertaken by us, our management and staff have accumulated years of experience in a wide variety of fitting-out works.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

The level of investment in fitting-out in respect of residential properties and hotels

The majority of our revenue from continuing operations was derived from fitting-out projects in respect of residential property and hotel and serviced apartment, which accounted for approximately 58.0%, 54.1%, 84.1%, 74.6% and 82.0% of our revenue from continuing operations for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, respectively. Our business therefore depends to a large extent on the level of investment in residential property and hotel and serviced apartment projects in private sector. In the event that the fitting-out expenditures are substantially reduced in residential property and hotel and serviced apartment as a result of economic downturn, our business, financial condition and results of operation, our profitability and future growth in revenue may be adversely affected.

Pricing of our projects

Substantially all of our revenue in the Track Record Period were derived from our fitting-out projects, which are generally obtained by means of tender. The tender price of our fitting-out projects is based on our estimated project costs plus a mark-up margin. From time to time, we may adjust our mark-up margin to maintain competitive in the tender which in turn will affect our profitability.

Changes in our subcontracting and material costs

Our subcontracting costs and material costs represent a significant portion of our cost of sales for continuing operations. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our subcontracting costs and material costs amounted to approximately HK\$1,234.9 million, HK\$1,160.3 million, HK\$1,708.8 million, HK\$715.9 million and HK\$1,965.7 million, respectively, and accounted for approximately 80.5%, 83.5%, 83.4%, 80.8% and 84.6%, respectively, of our cost of sales for continuing operations. Our ability to control and manage our subcontracting and materials cost will enhance our profitability. In addition, our contract price is based on our estimated project costs (which mainly include subcontracting costs and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting costs and material costs will not be determined until we have entered into agreements with our subcontractors/suppliers. Any fluctuations in the subcontracting and material costs during this period will affect our profitability.

Our revenue and profit margin may fluctuate according to the mix and actual progress of projects on hand as well as our success in obtaining new contracts

Our contracts are awarded on a project basis. Our revenue contributed by different types of properties or from different geographical locations vary from time to time depending on the timing of commencement and actual progress of our projects. In general, contracts awarded and commenced at the beginning of a year or period would be able to contribute a higher amount of revenue and gross profit than contracts awarded by the end of a year or period if a substantial part of the works could be rendered during the year or period.

FINANCIAL INFORMATION

The following table sets forth an analysis of our projects based on their respective revenue recognised during the Track Record Period.

Fitting-out Works

	Number of projects			
	Year ended 31 December			Eight months ended 31 August 2015
	2012	2013	2014	
Revenue recognised				
Below HK\$10 million	52	69	78	65
Between HK\$10 million to HK\$50 million	24	14	22	23
Between HK\$50 million to HK\$100 million	1	5	3	7
Over HK\$100 million	4	1	7	7

Alteration and Addition and Construction Works

	Number of projects			
	Year ended 31 December			Eight months ended 31 August 2015
	2012	2013	2014	
Revenue recognised				
Below HK\$10 million	7	18	25	25
Between HK\$10 million to HK\$50 million	5	3	7	2
Between HK\$50 million to HK\$100 million	2	3	—	4
Over HK\$100 million	—	2	1	—

Note:

- (1) Due to certain projects commenced in one year and completed in another year, the number of projects contributing to the revenue recognised does not necessary equal to the number of projects completed during the year/period.

FINANCIAL INFORMATION

Our ability to complete fitting-out projects according to specifications, quality standards, safety measures and timetable

We have to complete our projects in accordance with the specifications, quality standards, safety measures and timetable. If we fail to comply with any of these requirements, we may be liable to pay penalties or damages, and our results of operations and hence our profits will be adversely affected. During the Track Record Period, we have not been claimed for any material damages or penalties by our customers for any of the aforesaid reasons. We will continue to give full effort to ensure our current and future projects are completed in accordance with the specifications, quality standards, safety measures and timetable.

SIGNIFICANT ACCOUNTING POLICIES

The discussion and analysis of our financial position and results of operations as included in this Prospectus is based on the consolidated financial statements prepared in accordance with the significant accounting policies set forth in note 3 in section A to the accountants' report set out in Appendix I to this Prospectus, which conform with HKFRSs. Accounting methods, assumptions and estimates that underlie the preparation of a company's financial statements affect its financial position and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. We believe that the following accounting policies involve the most significant accounting judgments and estimates used in the preparation of its consolidated financial statements:

Supply and installation contracts including fitting-out works as well as alteration and addition and construction works

Where the outcome of a supply and installation contract including fitting-out works and alteration and addition and construction works can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a supply and installation contract including fitting-out works as well as alteration and addition and construction works cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs incurred are recognised as expenses in the year or period in which they are incurred.

FINANCIAL INFORMATION

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

For financial asset carried at amortised cost, an impairment loss is recognised in profit or loss 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.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by our Company are initially measured at their fair values and, if designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

RESULTS OF OPERATIONS

The following table sets forth selected financial data from our consolidated statements of profit or loss and other comprehensive income for the periods indicated, details of which are set out in the accountants' report in Appendix I to this Prospectus.

FINANCIAL INFORMATION

	For the year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions)</i>				
Continuing operations					
Revenue	1,753.0	1,632.2	2,336.7	1,022.5	2,701.2
Cost of sales	(1,532.5)	(1,390.4)	(2,048.6)	(885.6)	(2,322.4)
Gross profit	220.5	241.8	288.1	136.9	378.8
Other income, other gains and losses	4.8	3.4	3.1	1.7	(7.7)
Gain on disposal of subsidiaries	0.3	—	—	—	—
Loss on disposal of an associate	—	—	—	—	(0.8)
Selling expenses	(11.6)	(4.4)	(5.7)	(3.8)	(4.9)
Administrative expenses	(86.4)	(85.4)	(95.0)	(59.4)	(60.5)
Other service costs	(0.9)	—	—	—	—
Other expenses	(0.7)	(0.7)	(1.0)	(0.9)	(0.6)
Share of profits of associates	—	—	17.2	10.8	2.5
Finance costs	(2.6)	(1.8)	(0.9)	(0.3)	(2.1)
Profit before taxation	123.4	152.9	205.8	85.0	304.7
Income tax expense	(16.2)	(26.4)	(30.4)	(14.2)	(41.7)
Profit for the year/period from continuing operations	107.2	126.5	175.4	70.8	263.0
Discontinued operations⁽¹⁾					
Profit for the year/period from discontinued operations	2.6	22.4	3.3	4.3	9.4
Profit for the year/period	109.8	148.9	178.7	75.1	272.4
Other comprehensive (expense) income for the year/period	(3.4)	6.0	(1.1)	(2.5)	24.3
Total comprehensive income for the year/period	<u>106.4</u>	<u>154.9</u>	<u>177.6</u>	<u>72.6</u>	<u>296.7</u>
Attributable to:					
Owners of our Company	106.6	148.2	176.4	71.5	297.0
Non-controlling interests	(0.2)	6.7	1.2	1.1	(0.3)
	<u>106.4</u>	<u>154.9</u>	<u>177.6</u>	<u>72.6</u>	<u>296.7</u>

Note:

- (1) We disposed 50% and 25% of our equity interest in Sundart Beijing, which carries out fitting-out business in the PRC in April 2015 and June 2015, respectively. See “History, Development and Reorganisation”. Therefore, our fitting-out business in the PRC carried out by Sundart Beijing has been reclassified as discontinued operations to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior years. The reclassification has no impact on our Group’s overall results.

FINANCIAL INFORMATION

SELECTED INCOME STATEMENT ITEMS

Revenue

We primarily derive our revenue from our fitting-out business as well as alteration and addition and construction business, and to a much lesser extent, from manufacturing, sourcing and distribution of interior decorative materials business. We generated revenue of HK\$1,753.0 million, HK\$1,632.2 million, HK\$2,336.7 million, HK\$1,022.5 million and HK\$2,701.2 million for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, respectively, from our continuing operations. The following table sets forth our revenue by business segments for the periods indicated.

	Year ended 31 December				Eight months ended 31 August					
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total
Continuing operations										
Fitting-out										
— Hotel and serviced apartment ⁽¹⁾	519.5	25.0	322.7	13.0	1,292.5	37.5	388.5	21.7	1,743.3	57.4
— Residential property	496.4	23.9	561.0	22.6	673.5	19.5	374.0	20.9	472.3	15.5
— Others (including public buildings, commercial buildings and shopping malls)	243.1	11.6	6.2	0.2	17.6	0.5	15.7	0.8	91.9	3.0
Sub-total	1,259.0	60.5	889.9	35.8	1,983.6	57.5	778.2	43.4	2,307.5	75.9
Alteration and addition and construction	309.8	14.9	670.4	26.9	308.9	9.0	202.7	11.3	387.3	12.8
Manufacturing, sourcing and distribution of interior decorative materials	184.2	8.9	71.9	2.9	44.2	1.3	41.6	2.3	6.4	0.2
Continuing operations	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9
Discontinued operations	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1
Total	2,080.0	100.0	2,486.5	100.0	3,449.0	100.0	1,793.2	100.0	3,039.2	100.0

Note:

- (1) For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, fitting-out works revenue recognised in relation to hotel and serviced apartment in Hong Kong and others (except for Macau) amounted to HK\$333.7 million, HK\$207.0 million, HK\$46.6 million, HK\$62.6 million and HK\$94.0 million, respectively, and contract revenue recognised in relation to hotel and serviced apartment in Macau amounted to HK\$185.8 million, HK\$115.7 million, HK\$1,245.9 million, HK\$325.9 million and HK\$1,649.3 million, respectively.

FINANCIAL INFORMATION

The following table sets forth our revenue by geographic segment for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total
Continuing operations										
Macau	232.5	11.2	120.4	4.8	1,246.9	36.2	326.9	18.3	1,651.5	54.4
Hong Kong	1,318.2	63.4	1,386.2	55.7	1,090.1	31.6	654.5	36.5	1,045.6	34.4
China	115.5	5.6	66.0	2.7	22.5	0.7	22.3	1.2	1.3	0.0
Others ⁽¹⁾	86.8	4.1	59.6	2.4	(22.8)	(0.7)	18.8	1.0	2.8	0.1
Subtotal	1,753.0	84.3	1,632.2	65.6	2,336.7	67.8	1,022.5	57.0	2,701.2	88.9
Discontinued operations in China	327.0	15.7	854.3	34.4	1,112.3	32.2	770.7	43.0	338.0	11.1
Total:	<u>2,080.0</u>	<u>100.0</u>	<u>2,486.5</u>	<u>100.0</u>	<u>3,449.0</u>	<u>100.0</u>	<u>1,793.2</u>	<u>100.0</u>	<u>3,039.2</u>	<u>100.0</u>

Note:

- (1) Included our revenue for fitting-out works for two hotel projects in Russia and revenue generated from manufacturing, sourcing and distribution of interior decorative materials to Qatar, Abu Dhabi, the United States, the United Kingdom, Philippines, Canada and Singapore. For details of our fitting-out works for two hotel projects in Russia, see “Business — Business Activities in Sanctioned Country”.

Continuing Operations

Cost of sales

Our cost of sales for continuing operations primarily consists of subcontracting fees, costs of materials from raw materials to finished products and other furnishing materials and staff costs. The following table sets forth our cost of sales for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total	(HK\$ in millions)	% of total
Subcontracting fees	869.5	56.7	986.8	71.0	1,170.4	57.1	556.7	62.8	1,408.6	60.6
Material costs ⁽¹⁾	365.4	23.8	173.5	12.5	538.4	26.3	159.2	18.0	557.1	24.0
Project staff costs	206.5	13.5	174.1	12.5	243.3	11.9	114.8	13.0	258.0	11.1
Others ⁽²⁾	91.1	6.0	56.0	4.0	96.5	4.7	54.9	6.2	98.7	4.3
Total	<u>1,532.5</u>	<u>100.0</u>	<u>1,390.4</u>	<u>100.0</u>	<u>2,048.6</u>	<u>100.0</u>	<u>885.6</u>	<u>100.0</u>	<u>2,322.4</u>	<u>100.0</u>

Notes:

- (1) Included costs for marble, flooring and skirting systems, customised furniture, metals, bathroom and kitchen materials.
- (2) Included site expenses, tool and machinery cost and miscellaneous job cost.

FINANCIAL INFORMATION

Subcontracting fees, which are costs of engaging subcontractors for carrying out fitting-out works and alteration and addition and construction works undertaken by us. Subcontracting fees are the most significant component of our direct costs. As disclosed in “Business” section of this Prospectus, we generated substantially all of our revenue from fitting-out works and alteration and addition and construction works and we generally engage subcontractors for a significant part of our fitting-out works and alteration and addition and construction works depending on the nature of the work. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting fees on our profits during the Track Record Period, with reference to the fluctuation in the average wage of workers in the fitting-out industry as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis. For details, please see “Industry Overview”.

Hypothetical fluctuations in our subcontracting fees

+5% +10% -5% -10%
(HK\$ in millions)

Change in profit before tax (from continuing operations)

For the year ended 31 December 2012	(43.5)	(87.0)	43.5	87.0
For the year ended 31 December 2013	(49.3)	(98.7)	49.3	98.7
For the year ended 31 December 2014	(58.5)	(117.0)	58.5	117.0
For the eight months ended 31 August 2014	(27.8)	(55.7)	27.8	55.7
For the eight months ended 31 August 2015	(70.4)	(140.9)	70.4	140.9

Change in profit after tax (from continuing operations)⁽¹⁾

For the year ended 31 December 2012	(36.3)	(72.6)	36.3	72.6
For the year ended 31 December 2013	(41.2)	(82.4)	41.2	82.4
For the year ended 31 December 2014	(48.8)	(97.7)	48.8	97.7
For the eight months ended 31 August 2014	(23.2)	(46.5)	23.2	46.5
For the eight months ended 31 August 2015	(58.8)	(117.7)	58.8	117.7

Note:

(1) Tax rate is presumed to be 16.5%.

FINANCIAL INFORMATION

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin for continuing operations for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions, except for percentage)</i>				
Gross profit					
— Fitting-out	162.9	139.5	271.6	120.3	363.9
— Alteration and addition and construction	11.3	81.9	15.6	13.6	17.0
— Manufacturing, sourcing and distribution of interior decorative materials	46.3	20.4	0.9	3.0	(2.1)
Overall	220.5	241.8	288.1	136.9	378.8
Gross profit margin					
— Fitting-out	12.9%	15.7%	13.7%	15.5%	15.8%
— Alteration and addition and construction	3.6%	12.2%	5.1%	6.7%	4.4%
— Manufacturing, sourcing and distribution of interior decorative materials	25.1%	28.4%	2.0%	7.2%	(32.8%)
Overall	12.6%	14.8%	12.3%	13.4%	14.0%

Since the tender price of our fitting-out and alteration and addition and construction works are based on our estimated project costs plus a mark-up margin, our overall gross profit margin remained relatively stable during the Track Record Period as we have been able to properly control our costs.

FINANCIAL INFORMATION

Other income, other gains and losses

Other income, other gains and losses for continuing operations primarily consist of interest income, consultancy fee income from the consultation services provided by Sundart Project for redevelopment projects, others, exchange gain or loss, write off of trade receivables and loss on disposal of property, plant and equipment. The following table sets forth the breakdown of other income, other gains and losses for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions)</i>				
Other income					
Interest income	0.6	0.2	0.9	0.4	0.5
Consultancy fee income	0.9	0.7	1.7	1.2	1.4
Others	0.9	0.4	0.2	0.1	0.2
	2.4	1.3	2.8	1.7	2.1
Other gains and losses					
Net foreign exchange gain	2.4	2.3	0.3	—	0.4
Write off of trade and other receivables	—	—	—	—	(10.2)
Loss on disposal of property, plant and equipment	—	(0.2)	—	—	—
	2.4	2.1	0.3	—	(9.8)
Other income, other gains and losses	4.8	3.4	3.1	1.7	(7.7)

Gain on disposal of subsidiaries

Other than a gain on disposal of the equity interest in Keen Virtue Group Limited and Talent Step Investments Limited of HK\$0.3 million recorded in 2012, we did not record any gain on disposal of subsidiaries for continuing operations for the years ended 31 December 2013 and 2014 and the eight months ended 31 August 2014 and 2015.

Loss on disposal of an associate

Other than a loss of HK\$0.8 million we recorded for the eight months ended 31 August 2015 arising from our disposal of Sundart Beijing in June 2015, we did not record any other gain or loss on disposal of an associate during the Track Record Period.

FINANCIAL INFORMATION

Selling expenses

Selling expenses for continuing operations primarily consist of our road transportation costs for our material transportation in Hong Kong, Macau and the PRC. Our selling expenses were HK\$11.6 million, HK\$4.4 million, HK\$5.7 million, HK\$3.8 million and HK\$4.9 million for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, respectively.

Administrative expenses

Administrative expenses for continuing operations primarily consist of staff costs and other miscellaneous administrative expenses. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our administrative expenses were HK\$86.4 million, HK\$85.4 million, HK\$95.0 million, HK\$59.4 million and HK\$60.5 million, respectively.

The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	For the year ended 31 December						Eight months ended 31 August			
	2012		2013		2014		2014		2015	
	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions)	%
Staff costs ⁽¹⁾	54.3	62.8	60.0	70.3	62.6	65.9	36.8	62.0	42.5	70.2
Rent and rates and building management fees	5.2	6.0	5.8	6.8	10.3	10.8	6.8	11.4	6.8	11.2
Depreciation and amortisation	6.5	7.5	7.4	8.7	5.6	5.9	3.9	6.6	3.3	5.5
Legal and professional fees ⁽²⁾	4.7	5.4	3.6	4.2	3.7	3.9	2.5	4.2	1.6	2.6
Insurance	1.2	1.4	1.3	1.5	1.5	1.6	0.9	1.5	1.2	2.0
Travelling expenses	1.3	1.5	1.5	1.8	1.2	1.3	0.8	1.3	0.7	1.2
Entertainment expenses	0.7	0.8	0.8	0.9	0.7	0.7	0.4	0.7	0.6	1.0
Management/consultancy fee	6.3	7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others ⁽³⁾	6.2	7.3	5.0	5.8	9.4	9.9	7.3	12.3	3.8	6.3
Total	86.4	100.0	85.4	100.0	95.0	100.0	59.4	100.0	60.5	100.0

Notes:

- (1) Included employee wages and benefits for administrative staff, including finance, human resources, information technology, marketing, purchasing, furnishing and shipping.
- (2) Included professional fees paid to our legal advisers in providing us with legal services in connection with our financing activities, audit fees and project consultancy and advisory fees.
- (3) Included bank charges, communication expenses, motor vehicles expenses and printing and stationery and consumables.

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Other service costs

For the year ended 31 December 2012, our other service cost was HK\$0.9 million. We did not record any other service cost for the years ended 31 December 2013 and 2014 and the eight months ended 31 August 2014 and 2015. Other service cost for the year ended 31 December 2012 referred to the price difference between the fair value of the 520 shares of our Company acquired by Mr. Leung in 2009 and the monetary consideration Mr. Leung paid. As a consideration of such transaction, Mr. Leung entered into a service agreement with our Company for a term of three years. Therefore, the price difference has been expensed from 2009 to 2012 as other service cost. See note 37 of section A to the accountants' report in Appendix I to this Prospectus.

Other expenses

Other expenses for continuing operations primarily consist of testing and certification expenses and donation. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, other expenses were HK\$0.7 million, HK\$0.7 million, HK\$1.0 million, HK\$0.9 million and HK\$0.6 million, respectively.

Share of profits of associates

Share of profits of associates for continuing operations represents our profit generated by Eagle Vision and its subsidiary, SLDL, which we acquired in February 2014. SLDL, together with its subsidiaries, are principally engaged in the business of provision of high-end interior design services in Hong Kong and the PRC. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our share of profits of associates was nil, nil, HK\$17.2 million, HK\$10.8 million and HK\$2.5 million, respectively.

Finance costs

Finance costs for continuing operations represent interest expenses on bank borrowings wholly repayable within five years and borrowings of HK\$80.0 million from Rykadan Capital Limited, our former shareholder. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our financial costs were HK\$2.6 million, HK\$1.8 million, HK\$0.9 million, HK\$0.3 million and HK\$2.1 million, respectively.

FINANCIAL INFORMATION

Income tax expense

The following table sets forth the breakdown of our income tax expense for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	<i>(HK\$ in millions)</i>				
Current tax					
Hong Kong profits tax	15.1	23.9	11.2	10.3	10.8
Macau complementary tax	3.4	3.3	20.1	4.6	31.8
PRC enterprise income tax	4.4	0.2	—	—	—
	22.9	27.4	31.3	14.9	42.6
Overprovision in prior year/period					
Hong Kong profits tax	—	(0.3)	(0.5)	(0.4)	(0.4)
Macau complementary tax	—	(0.4)	(0.1)	—	(0.5)
PRC enterprise income tax	(6.7)	(0.3)	(0.3)	(0.3)	—
	(6.7)	(1.0)	(0.9)	(0.7)	(0.9)
Total	16.2	26.4	30.4	14.2	41.7

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits during the Track Record Period.

Macau complementary tax was calculated at 12% of the estimated assessable profits during the Track Record Period.

Under the EIT Law and relevant implementation regulations, the PRC enterprise income tax was calculated at 25% of the company's estimated assessable profits.

The weighted average applicable tax rate of our Group for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015 were 15.7%, 15.4%, 12.0%, 12.7% and 12.3%, respectively. The weighted average applicable tax rate of our Group decreased during the Track Record Period was primarily due to an increase in the profit of our Group generated from Macau, which has a lower income tax rate as compared with Hong Kong and the PRC.

Profit from continuing operations

For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our profit from continuing operations was HK\$107.2 million, HK\$126.5 million, HK\$175.4 million, HK\$70.8 million and HK\$263.0 million, respectively.

FINANCIAL INFORMATION

Discontinued Operations

Profit from discontinued operations

Profit from discontinued operations represented our profit or loss generated from Sundart Beijing. We disposed 50% and 25% of the equity interest we held in Sundart Beijing in April 2015 and June 2015, respectively. Therefore, our fitting-out business in the PRC carried out by Sundart Beijing has been reclassified as discontinued operations to provide a more appropriate presentation. The same adjustments have been made to the corresponding prior years. The reclassification has no impact on our Group's overall results. For the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2014 and 2015, our profit from discontinued operations was HK\$2.6 million, HK\$22.4 million, HK\$3.3 million, HK\$4.3 million and HK\$9.4 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Continuing Operations

Revenue from continuing operations

Revenue from continuing operations decreased by HK\$120.8 million, or 6.9%, from HK\$1,753.0 million for the year ended 31 December 2012 to HK\$1,632.2 million for the year ended 31 December 2013, primarily due to a decrease in the revenue generated from fitting-out works and manufacturing, sourcing and distribution of interior decorative materials business which was partially offset by an increase in the revenue generated from alteration and addition and construction business.

Our revenue generated from fitting-out works for continuing operations decreased by HK\$369.1 million, or 29.3%, from HK\$1,259.0 million for the year ended 31 December 2012 to HK\$889.9 million for the year ended 31 December 2013. This decrease was primarily due to a decrease of HK\$290.2 million in Hong Kong as a result of the substantial completion of a five-star hotel fitting-out project located at Tsim Sha Tsui, Hong Kong and a monastery fitting-out project located at Tai Po, Hong Kong in 2012, as well as a decrease of HK\$70.9 million in Macau primarily due to the substantial completion of several sizeable hotel projects located at Cotai, Macau in 2012.

Our revenue generated from alteration and addition and construction business increased by HK\$360.6 million, or 116.4%, from HK\$309.8 million for the year ended 31 December 2012 to HK\$670.4 million for the year ended 31 December 2013, primarily due to the substantial revenue recognised for projects such as the redevelopment of a commercial building in Kwun Tong, Hong Kong and the alteration and addition works for a food factory in Tai Po, Hong Kong.

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$112.3 million, or 61.0%, from HK\$184.2 million for the year ended 31 December 2012 to HK\$71.9 million for the year ended 31 December 2013, primarily attributable to a decrease in our sales of timber products to Yantai Shentong Import Export Company Limited and a decrease in our sales of fire-rated timber doors to independent third party fitting-out contractors in Macau in 2013.

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Our revenue generated from continuing operations in Hong Kong increased by 5.2%, from HK\$1,318.2 million for the year ended 31 December 2012 to HK\$1,386.2 million for the year ended 31 December 2013, primarily due to the increased revenue recognised for alteration and addition and construction business as discussed above. Our revenue generated from Macau decreased by 48.2%, from HK\$232.5 million for the year ended 31 December 2012 to HK\$120.4 million for the year ended 31 December 2013, primarily due to a decrease in the revenue generated from fitting-out works for hotels in Macau as discussed above. Our revenue generated from the PRC decreased by 42.9%, from HK\$115.5 million for the year ended 31 December 2012 to HK\$66.0 million for the year ended 31 December 2013, primarily due to a decrease in the revenue generated from manufacturing, sourcing and distribution of interior decorative materials business as discussed above. Our revenue generated from other countries decreased by 31.3%, from HK\$86.8 million for the year ended 31 December 2012 to HK\$59.6 million for the year ended 31 December 2013, primarily due to the decreased revenue we recognised for the fitting-out works for the two hotel projects in Russia.

Cost of sales

Cost of sales for continuing operations decreased by HK\$142.1 million, or 9.3%, from HK\$1,532.5 million for the year ended 31 December 2012 to HK\$1,390.4 million for the year ended 31 December 2013, primarily due to a decrease of HK\$191.9 million in material costs and a decrease of HK\$32.4 million in project staff costs, which have been partially offset by an increase of HK\$117.3 million in subcontracting fees. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin from continuing operations

Gross profit from continuing operations increased by HK\$21.3 million, or 9.7% from HK\$220.5 million for the year ended 31 December 2012 to HK\$241.8 million for the year ended 31 December 2013.

The gross profit margin from continuing operations for the year ended 31 December 2012 was 12.6%, whereas the gross profit margin for the year ended 31 December 2013 was 14.8%. This was mainly attributable to the higher gross profit margin of 13.3% and 26.2% we recorded for our continuing operations in Hong Kong and Macau in 2013, respectively, as compared with 10.6% and 16.8% in 2012, as a result of higher profit margins we recorded in 2013 for several projects in Hong Kong such as the alteration and addition works for a five-star hotel located at North Point, Hong Kong and fitting-out works for a residential project in Ho Man Tin, Hong Kong.

Other income, other gains and losses

Other income, other gain and loss for continuing operations decreased by HK\$1.4 million, or 29.2%, from HK\$4.8 million for the year ended 31 December 2012 to HK\$3.4 million for the year ended 31 December 2013, primarily due to a decrease of HK\$0.4 million in the interest income from Vital Success Development Limited as the loan is repaid in May 2012 and an increase of HK\$0.2 million in loss on disposal of property, plant and equipment caused by our disposal of machineries and office equipment.

FINANCIAL INFORMATION

Gain on disposal of subsidiaries

We recorded a gain of HK\$0.3 million in 2012 for continuing operations and we did not record any gain on disposal of subsidiaries for continuing operations in 2013. On 17 January 2012 and 18 January 2012, we entered into two share purchase agreements with Rykadan Capital Limited, our former shareholder, to dispose the entire equity interest we held in Keen Virtue Group Limited and its subsidiaries and Talent Step Investments Limited, respectively, for a total consideration of HK\$36.3 million. As a result, we recorded a gain of HK\$0.3 million on this disposal.

Selling expenses

Our selling expenses for continuing operations decreased by HK\$7.2 million, or 62.1%, from HK\$11.6 million for the year ended 31 December 2012 to HK\$4.4 million for the year ended 31 December 2013, primarily due to a decrease in road transportation costs for materials transportation and a decrease in the pre-tendering and samples fee for fitting-out works associated with the business slowdown in Macau.

Administrative expenses

Our administrative expenses for continuing operations remained relatively stable and were HK\$86.4 million and HK\$85.4 million for the years ended 31 December 2012 and 2013, respectively.

Other expenses

Other expenses for continuing operations remained relatively stable and were HK\$0.7 million and HK\$0.7 million for the years ended 31 December 2012 and 2013, respectively.

Share of profits of associates

We did not record any share of profits of associates for continuing operations in 2012 and 2013.

Finance costs

Finance costs for continuing operations decreased by HK\$0.8 million, or 30.8%, from approximately HK\$2.6 million for the year ended 31 December 2012 to HK\$1.8 million for the year ended 31 December 2013, primarily due to the loan repayment of HK\$80.0 million to Rykadan Capital Limited, our former shareholder, in 2013.

Income tax expense

Income tax expense for continuing operations increased by HK\$10.2 million, or 63.0%, from HK\$16.2 million for the year ended 31 December 2012 to HK\$26.4 million for the year ended 31 December 2013, primarily due to the business expansion in alteration and addition and construction business in Hong Kong.

FINANCIAL INFORMATION

Profit for the year from continuing operations

Based on the above factors, profit for the year from continuing operations increased by HK\$19.3 million, or 18.0%, from approximately HK\$107.2 million for the year ended 31 December 2012 to HK\$126.5 million for the year ended 31 December 2013. Our net profit margin increased from approximately 6.1% for the year ended 31 December 2012 to approximately 7.8% for the year ended 31 December 2013. The increase in net profit margin was primarily attributable to the higher gross profit margin we recorded in certain projects in Hong Kong substantially completed in 2013 such as the alteration and addition works for a five-star hotel located at North Point, Hong Kong and the fitting-out works for a residential project in Ho Man Tin, Hong Kong.

Discontinued Operations

Profit from discontinued operations

Profit from discontinued operations significantly increased by HK\$19.8 million, or 761.5%, from HK\$2.6 million for the year ended 31 December 2012 to HK\$22.4 million for the year ended 31 December 2013, primarily due to the business expansion of Sundart Beijing in 2013.

Dividends

We declared dividends of HK\$56.0 million and HK\$20.0 million for the years ended 31 December 2012 and 2013, respectively.

Year Ended 31 December 2014 Compared to Year Ended 31 December 2013

Continuing Operations

Revenue from continuing operations

Revenue from continuing operations increased by HK\$704.5 million, or 43.2%, from HK\$1,632.2 million for the year ended 31 December 2013 to HK\$2,336.7 million for the year ended 31 December 2014, primarily due to a significant increase of HK\$1,126.9 million in the revenue generated from fitting-out works in Macau.

Our revenue generated from fitting-out works for continuing operations increased by HK\$1,093.7 million, or 122.9%, from HK\$889.9 million for the year ended 31 December 2013 to HK\$1,983.6 million for the year ended 31 December 2014, primarily due to an increase of HK\$969.8 million in the revenue generated from fitting-out works for hotel and serviced apartment mainly caused by the substantial completion of and revenue recognised for several sizeable hotel projects in 2014, such as six five-star luxury hotel projects located in Macau.

Our revenue generated from alteration and addition and construction business decreased by HK\$361.5 million, or 53.9%, from HK\$670.4 million for the year ended 31 December 2013 to HK\$308.9 million for the year ended 31 December 2014, primarily due to the substantial completion of several projects in 2013 such as the redevelopment of a commercial building in Kwun Tong, Hong Kong and the alteration and addition works for a food factory in Tai Po, Hong Kong.

FINANCIAL INFORMATION

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$27.7 million, or 38.5%, from HK\$71.9 million for the year ended 31 December 2013 to HK\$44.2 million for the year ended 31 December 2014, primarily attributable to the decreased sales caused by the discontinuation of sales orders of timber products to Yantai Shentong Import Export Company Limited in November 2013 since which time we had not sold any timber products to Yantai Shentong Import Export Company Limited, which was partially offset by the increased sales of timber products to Southeast Asia and Middle East.

Our revenue derived from Hong Kong decreased by 21.4%, from HK\$1,386.2 million for the year ended 31 December 2013 to HK\$1,090.1 million for the year ended 31 December 2014, primarily due to a decrease in the revenue generated from alteration and addition and construction works performed by Kin Shing as discussed above. Our revenue generated from Macau increased by 935.6%, from HK\$120.4 million for the year ended 31 December 2013 to HK\$1,246.9 million for the year ended 31 December 2014, primarily due to an increase in the revenue generated from fitting-out works for six five-star luxury hotel projects in Macau as discussed above. Our revenue generated from the PRC decreased by 65.9%, from HK\$66.0 million for the year ended 31 December 2013 to HK\$22.5 million for the year ended 31 December 2014, primarily due to a decrease in the revenue generated from manufacturing, sourcing and distribution of interior decorative materials business as discussed above. As compared with the revenue of HK\$59.6 million we generated from other countries for the year ended 31 December 2013, we recorded a revenue loss of HK\$22.8 million from other countries for the year ended 31 December 2014, primarily due to our reversal of revenue of HK\$44.2 million accrued in 2013 for our hotel fitting-out projects in Russia due to the discontinuation of such projects in November 2013.

Cost of sales from continuing operations

Our cost of sales from continuing operations increased by HK\$658.2 million, or 47.3%, from HK\$1,390.4 million for the year ended 31 December 2013 to HK\$2,048.6 million for the year ended 31 December 2014, primarily due to an increase of HK\$364.9 million in material costs and an increase of HK\$183.6 million in our subcontracting fees mainly associated with our business expansion in Macau in 2014.

Gross profit and gross profit margin from continuing operations

Gross profit from continuing operations increased by HK\$46.3 million, or 19.1% from HK\$241.8 million for the year ended 31 December 2013 to HK\$288.1 million for the year ended 31 December 2014.

Gross profit margin from continuing operations decreased from 14.8% for the year ended 31 December 2013 to 12.3% for the year ended 31 December 2014. The decrease was attributable to our reversal of revenue of HK\$44.2 million accrued in 2013 for our hotel fitting-out projects in Russia due to the discontinuation of such projects in November 2013.

Other income, other gains and losses

Other income, other gains and losses for continuing operations decreased by HK\$0.3 million, or 8.8%, from HK\$3.4 million for the year ended 31 December 2013 to HK\$3.1 million for the year ended 31 December 2014, primarily due to a decrease of HK\$0.1 million in the write off of trade payable over six years and a decrease of HK\$0.1 million in gain on disposal of discarded materials and other miscellaneous materials.

FINANCIAL INFORMATION

Gain on disposal of subsidiaries

We did not record any gain on disposal of subsidiaries for continuing operations for the years ended 31 December 2013 and 2014.

Selling expenses

Our selling expenses for continuing operations increased by HK\$1.3 million, or 29.5%, from HK\$4.4 million for the year ended 31 December 2013 to HK\$5.7 million for the year ended 31 December 2014, primarily due to the increased transportation costs associated with our business expansion in Macau in 2014.

Administrative expenses

Administrative expenses for continuing operations increased by HK\$9.6 million, or 11.2%, from HK\$85.4 million for the year ended 31 December 2013 to HK\$95.0 million for the year ended 31 December 2014, primarily due to an increase of HK\$4.5 million in rent and rates and building management fees as a result of the rent appreciations in Hong Kong and the lease of two additional warehouses in the PRC in 2014 and an increase of HK\$2.6 million in staff costs caused by increased number of employees in the PRC in 2014.

Other expenses

Other expenses for continuing operations increased by HK\$0.3 million, or 42.9%, from HK\$0.7 million for the year ended 31 December 2013 to HK\$1.0 million for the year ended 31 December 2014, primarily due to an increase in the application fee we paid for our new patent.

Share of profits of associates

We did not record any share of profits of associates for continuing operations for the year ended 31 December 2013 but recorded profit of HK\$17.2 million for the year ended 31 December 2014, which was generated by Eagle Vision and its subsidiary, SLDL, which we acquired in February 2014. SLDL, together with its subsidiaries, are principally engaged in the business of provision of high-end interior design services in Hong Kong and the PRC.

Finance costs

Finance costs for continuing operations decreased by HK\$0.9 million, or 50%, from HK\$1.8 million for the year ended 31 December 2013 to HK\$0.9 million for the year ended 31 December 2014, primarily due to our loan repayment of HK\$80.0 million to Rykadan Capital Limited, our former shareholder, in 2013 and hence less borrowings we had in 2014 due to projects deposit received from Macau.

Income tax expenses

Income tax expenses for continuing operations increased by HK\$4.0 million, or 15.2%, from HK\$26.4 million for the year ended 31 December 2013 to HK\$30.4 million for the year ended 31 December 2014, primarily due to the increased profit generated in Macau in 2014.

FINANCIAL INFORMATION

Profit for the year from continuing operations

Based on the above factors, our profit for the year from continuing operations increased by HK\$48.9 million, or 38.7%, from HK\$126.5 million for the year ended 31 December 2013 to HK\$175.4 million for the year ended 31 December 2014. Due to the decrease in the gross profit margin as discussed above, net profit margin for continuing operations decreased slightly from 7.8% for the year ended 31 December 2013 to 7.5% for the year ended 31 December 2014.

Discontinued Operations

Profit from discontinued operations

Profit from discontinued operations decreased by HK\$19.1 million, or 85.3%, from HK\$22.4 million for the year ended 31 December 2013 to HK\$3.3 million for the year ended 31 December 2014, primarily due to a lower net profit margin of 0.3% recorded by Sundart Beijing in 2014 as compared with 2.6% in 2013, as a result of the written off accounts with gross loss of HK\$13.6 million for contract works done for a customer by Sundart Beijing as a result of the customer's failure to pay due to the dispute in the work progress.

Dividends

We declared dividends of HK\$20.0 million for the year ended 31 December 2013 and did not declare any dividend for the year ended 31 December 2014.

The Eight Months Ended 31 August 2015 Compared to the Eight Months Ended 31 August 2014

Continuing Operations

Revenue from continuing operations

Revenue from continuing operations increased by HK\$1,678.7 million, or 164.2%, from HK\$1,022.5 million for the eight months ended 31 August 2014 to HK\$2,701.2 million for the eight months ended 31 August 2015, primarily due to an increase of HK\$1,322.5 million in the revenue generated from fitting-out works in Macau.

Our revenue generated from fitting-out works for continuing operations increased by HK\$1,529.3 million, or 196.5%, from HK\$778.2 million for the eight months ended 31 August 2014 to HK\$2,307.5 million for the eight months ended 31 August 2015, primarily due to an increase of HK\$1,354.8 million in the revenue generated from fitting-out works for hotel and serviced apartment mainly caused by the commencement of eight projects in Macau during the second half of 2014 and the first half of 2015 and out of which five projects were substantially completed for the eight months ended 31 August 2015.

Our revenue generated from alteration and addition and construction business increased by HK\$184.6 million, or 91.1%, from HK\$202.7 million for the eight months ended 31 August 2014 to HK\$387.3 million for the eight months ended 31 August 2015, primarily due to the commencement of a garden house development project in Lantau Island and a foundation project in Yuen Long in the end of 2014 and early 2015, respectively.

FINANCIAL INFORMATION

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$35.2 million, or 84.6%, from HK\$41.6 million for the eight months ended 31 August 2014 to HK\$6.4 million for the eight months ended 31 August 2015, primarily attributable to the decreased sales of wooden furniture to a hotel located in Chengdu, the PRC and decreased sales of wooden furniture to Middle East and Southeast Asia.

Our revenue derived from Hong Kong increased by 59.8%, from HK\$654.5 million for the eight months ended 31 August 2014 to HK\$1,045.6 million for the eight months ended 31 August 2015, primarily due to an increase in the revenue we generated from fitting-out works for residential and commercial buildings in Hong Kong as well as an increase in the revenue we generated from alteration and addition and construction business as discussed above. Our revenue generated from Macau increased by 405.2%, from HK\$326.9 million for the eight months ended 31 August 2014 to HK\$1,651.5 million for the eight months ended 31 August 2015, primarily due to an increase in the revenue we generated from fitting-out works for hotel and serviced apartment in Macau as discussed above. Our revenue generated from the PRC decreased by 94.2%, from HK\$22.3 million for the eight months ended 31 August 2014 to HK\$1.3 million for the eight months ended 31 August 2015, primarily due to a decrease in the revenue generated from manufacturing, sourcing and distribution of interior decorative materials business as discussed above. Our revenue generated from other countries decreased by 85.1%, from HK\$18.8 million for the eight months ended 31 August 2014 to HK\$2.8 million for the eight months ended 31 August 2015, primarily due to the decreased sales of wooden furniture to Middle East and Southeast Asia as disclosed above.

Cost of sales

Our cost of sales for continuing operations increased by HK\$1,436.8 million, or 162.2%, from HK\$885.6 million for the eight months ended 31 August 2014 to HK\$2,322.4 million for the eight months ended 31 August 2015, primarily due to an increase of HK\$851.9 million in subcontracting fees and an increase of HK\$397.9 million in material costs. Such increases were in line with the increase in revenue.

Gross profit and gross profit margin from continuing operations

Gross profit from continuing operations increased by HK\$241.9 million, or 176.7% from HK\$136.9 million for the eight months ended 31 August 2014 to HK\$378.8 million for the eight months ended 31 August 2015.

As our revenue and cost of sales increased at similar rates, our gross profit margin from continuing operations remained relatively stable, at 13.4% for the eight months ended 31 August 2014 and 14.0% for the eight months ended 31 August 2015.

FINANCIAL INFORMATION

Other income, other gains and losses

We recorded other income of HK\$1.7 million for continuing operations for the eight months ended 31 August 2014 but recorded a loss of HK\$7.7 million for continuing operations for the eight months ended 31 August 2015, primarily due to our written-off of trade receivables of HK\$9.1 million in 2015 due from Yantai Shentong Import Export Company Limited. See “Business — Regulatory Compliance and Legal Proceedings — Legal Proceedings and Claims”. Yantai Shentong Import Export Company Limited was one of our top five customers for the year ended 31 December 2012, which contributed revenue of HK\$114.5 million, HK\$62.4 million and nil for the years ended 31 December 2012, 2013 and 2014, respectively, representing 6.5%, 3.8% and nil of our total revenue from continuing operations for the same periods. In addition, for the eight months ended 31 August 2015, we wrote off trade receivable of HK\$1.1 million due from a customer of Sundart Emirates as a result of the poor financial condition of such customer.

Gain on disposal of subsidiaries

We did not record any gain on disposal of subsidiaries for continuing operations for the eight months ended 31 August 2014 and 2015.

Loss on disposal of an associate

We recorded a loss of HK\$0.8 million for the eight months ended 31 August 2015 arising from our disposal of the remaining 25% interest in Sundart Beijing in June 2015. We did not record any other gain or loss on disposal of an associate for the eight months ended 31 August 2014.

Selling expenses

Our selling expenses for continuing operations increased by HK\$1.1 million, or 28.9%, from HK\$3.8 million for the eight months ended 31 August 2014 to HK\$4.9 million for the eight months ended 31 August 2015, primarily attributable to the increase in transportation costs associated with more hotel and serviced apartment projects commenced in Macau in the second half of 2014.

Administrative expenses

Administrative expenses for continuing operations remained relatively stable, at HK\$59.4 million and HK\$60.5 million for the eight months ended 31 August 2014 and 2015, respectively.

Other expenses

Other expenses for continuing operations decreased by HK\$0.3 million, or 33.3%, from HK\$0.9 million for the eight months ended 31 August 2014 to HK\$0.6 million for the eight months ended 31 August 2015, primarily due to the testing fee for a type of fire door incurred for the eight months ended 31 August 2014 but no such similar fee incurred for the eight months ended 31 August 2015.

FINANCIAL INFORMATION

Share of profits of associates

Our share of profits of associates for continuing operations decreased by HK\$8.3 million, or 76.9%, from HK\$10.8 million for the eight months ended 31 August 2014 to HK\$2.5 million for the eight months ended 31 August 2015, primarily due to a decrease of HK\$42.9 million in the total profit of Eagle Vision for the eight months ended 31 August 2015.

Finance costs

Finance costs for continuing operations increased by HK\$1.8 million, or 600.0%, from HK\$0.3 million for the eight months ended 31 August 2014 to HK\$2.1 million for the eight months ended 31 August 2015, primarily due to the increase in our bank borrowings to fund our business expansion in Macau.

Income tax expense

Income tax expense for continuing operations increased by HK\$27.5 million, or 193.7%, from HK\$14.2 million for the eight months ended 31 August 2014 to HK\$41.7 million for the eight months ended 31 August 2015, primarily due to the significant increase in the gross profit we generated in Macau.

Profit for the period from continuing operations

Based on the above factors, profit for the period from continuing operations increased by HK\$192.2 million, or 271.5%, from HK\$70.8 million for the eight months ended 31 August 2014 to HK\$263.0 million for the eight months ended 31 August 2015. Net profit margin increased from 6.9% for the eight months ended 31 August 2014 to 9.7% for the eight months ended 31 August 2015, primarily due to an increase in the revenue we recognised in Macau for the eight months ended 31 August 2015. Our projects in Macau generally had higher gross profit margins while the tax rate in Macau is lower as compared with that in Hong Kong and the PRC. The increase was also due to less proportionate increase in certain of our overhead costs such as administrative costs as compared with the increase in the gross profit, as the number of our administrative staff did not increase at the same rate at which our gross profit increased.

Discontinued Operations

Profit from discontinued operations

Profit from discontinued operations increased from HK\$4.3 million for the eight months ended 31 August 2014 to HK\$9.4 million for eight months ended 31 August 2015, primarily due to a gain of HK\$10.5 million we recorded for discontinued operations for the eight months ended 31 August 2015 as a result of our disposal of 50% interest in Sundart Beijing in April 2015.

Dividends

We did not declare any dividend for the eight months ended 31 August 2014 and declared dividends of HK\$450.0 million for the eight months ended 31 August 2015.

FINANCIAL INFORMATION

SEGMENT INFORMATION FOR OUR CONTINUING OPERATIONS

The following table sets forth our segment information for our continuing operations by business segment for the periods indicated.

For the year ended 31 December 2012

	Fitting-out works	Alteration and addition and construction	Manufacturing, sourcing and distribution of interior decorative materials	Consolidated
	<i>(HK\$ in millions, except for percentage)</i>			
Revenue	1,259.0	309.8	184.2	1,753.0
Cost of sales	(1,096.1)	(298.5)	(137.9)	(1,532.5)
Gross profit	162.9	11.3	46.3	220.5
Gross profit margin	12.9%	3.6%	25.1%	12.6%

For the year ended 31 December 2013

	Fitting-out works	Alteration and addition and construction	Manufacturing, sourcing and distribution of interior decorative materials	Consolidated
	<i>(HK\$ in millions, except for percentage)</i>			
Revenue	889.9	670.4	71.9	1,632.2
Cost of sales	(750.4)	(588.5)	(51.5)	(1,390.4)
Gross profit	139.5	81.9	20.4	241.8
Gross profit margin	15.7%	12.2%	28.4%	14.8%

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For the year ended 31 December 2014

	Fitting-out works	Alteration and addition and construction	Manufacturing, sourcing and distribution of interior decorative materials	Consolidated
	<i>(HK\$ in millions, except for percentage)</i>			
Revenue	1,983.6	308.9	44.2	2,336.7
Cost of sales	(1,712.0)	(293.3)	(43.3)	(2,048.6)
Gross profit	271.6	15.6	0.9	288.1
Gross profit margin	13.7%	5.1%	2.0%	12.3%

For the eight months ended 31 August 2014

	Fitting-out works	Alteration and addition and construction	Manufacturing, sourcing and distribution of interior decorative materials	Consolidated
	<i>(HK\$ in millions, except for percentage)</i>			
Revenue	778.2	202.7	41.6	1,022.5
Cost of sales	(657.9)	(189.1)	(38.6)	(885.6)
Gross profit	120.3	13.6	3.0	136.9
Gross profit margin	15.5%	6.7%	7.2%	13.4%

For the eight months ended 31 August 2015

	Fitting-out works	Alteration and addition and construction	Manufacturing, sourcing and distribution of interior decorative materials	Consolidated
	<i>(HK\$ in millions, except for percentage)</i>			
Revenue	2,307.5	387.3	6.4	2,701.2
Cost of sales	(1,943.6)	(370.3)	(8.5)	(2,322.4)
Gross profit	363.9	17.0	(2.1)	378.8
Gross profit margin	15.8%	4.4%	(32.8%)	14.0%

FINANCIAL INFORMATION

Year ended 31 December 2013 Compared with Year ended 31 December 2012

Continuing Fitting-out works

Our revenue generated from fitting-out works for continuing operations decreased by HK\$369.1 million, or 29.3%, from HK\$1,259.0 million for the year ended 31 December 2012 to HK\$889.9 million for the year ended 31 December 2013. This decrease was primarily due to a decrease of HK\$290.2 million in Hong Kong as a result of the substantial completion of a five-star hotel fitting-out project located at Tsim Sha Tsui, Hong Kong and a monastery fitting-out project located at Tai Po, Hong Kong in 2012, as well as a decrease of HK\$70.9 million in Macau primarily due to the substantial completion of several sizeable hotel projects located at Cotai, Macau in 2012.

Cost of sale for our continuing fitting-out works decreased by HK\$345.7 million, or 31.5%, from HK\$1,096.1 million for the year ended 31 December 2012 to HK\$750.4 million for the year ended 31 December 2013, generally in line with our fitting-out projects progress.

Based on the above factors, our gross profit for our continuing fitting-out works decreased by HK\$23.4 million, or 14.4%, from HK\$162.9 million for the year ended 31 December 2012 to HK\$139.5 million for the year ended 31 December 2013. Our gross profit margin for our continuing fitting-out business increased from 12.9% for the year ended 31 December 2012 to 15.7% for the year ended 31 December 2013, primarily due to the higher gross profit margin we recorded for a fitting-out residential project located at Ho Man Tin, Hong Kong in 2013.

Alteration and addition and construction

Our revenue generated from alteration and addition and construction business increased by HK\$360.6 million, or 116.4%, from HK\$309.8 million for the year ended 31 December 2012 to HK\$670.4 million for the year ended 31 December 2013, primarily due to the substantial revenue recognised for projects such as the redevelopment of a commercial building in Kwun Tong, Hong Kong and the alteration and addition works for a food factory in Tai Po, Hong Kong.

Cost of sale for our alteration and addition and construction business increased by HK\$290.0 million, or 97.2%, from HK\$298.5 million for the year ended 31 December 2012 to HK\$588.5 million for the year ended 31 December 2013, generally in line with our alteration and addition and construction projects progress.

Based on the above factors, our gross profit for alteration and addition and construction business increased by HK\$70.6 million, or 624.8%, from HK\$11.3 million for the year ended 31 December 2012 to HK\$81.9 million for the year ended 31 December 2013. Our gross profit margin for our alteration and addition and construction business increased from 3.6% for the year ended 31 December 2012 to 12.2% for the year ended 31 December 2013 primarily due to a higher profit margin we recognised for the alteration and addition project for a five-star hotel project located at North Point, Hong Kong in 2013.

FINANCIAL INFORMATION

Manufacturing, sourcing and distribution of interior decorative materials

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$112.3 million, or 61.0%, from HK\$184.2 million for the year ended 31 December 2012 to HK\$71.9 million for the year ended 31 December 2013, primarily attributable to the decreased sales in 2013 caused by a decrease in our sales of timber products to Yantai Shentong Import Export Company Limited and a decrease in our sales of fire-rated timber doors to independent third party fitting out contractors in Macau.

Cost of sale for manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$86.4 million, or 62.7%, from HK\$137.9 million for the year ended 31 December 2012 to HK\$51.5 million for the year ended 31 December 2013, generally in line with our manufacturing progress.

Based on the above factors, our gross profit for manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$25.9 million, or 55.9%, from HK\$46.3 million for the year ended 31 December 2012 to HK\$20.4 million for the year ended 31 December 2013. Our gross profit margin for manufacturing, sourcing and distribution of interior decorative materials business increased from 25.1% for the year ended 31 December 2012 to 28.4% for the year ended 31 December 2013 primarily due to the sales of timber products to Yantai Shentong Import Export Company Limited in relation to two hotel projects in Russia with a high gross profit margin accounts for a higher proportion of the total sales in 2013.

Year ended 31 December 2014 Compared with Year ended 31 December 2013

Continuing Fitting-out works

Our revenue generated from fitting-out works for continuing operations increased by HK\$1,093.7 million, or 122.9%, from HK\$889.9 million for the year ended 31 December 2013 to HK\$1,983.6 million for the year ended 31 December 2014, primarily due to an increase of HK\$969.8 million in the revenue generated from fitting-out works for hotel and serviced apartment mainly caused by the substantial completion and revenue recognised of several sizeable hotel projects in 2014, such as six five-star luxury hotel projects located in Macau.

Cost of sale for our continuing fitting-out business increased by HK\$961.6 million, or 128.1%, from HK\$750.4 million for the year ended 31 December 2013 to HK\$1,712.0 million for the year ended 31 December 2014, generally in line with our fitting-out projects progress.

Based on the above factors, our gross profit for our continuing fitting-out business increased by HK\$132.1 million, or 94.7%, from HK\$139.5 million for the year ended 31 December 2013 to HK\$271.6 million for the year ended 31 December 2014. Our gross profit margin for our continuing fitting-out business decreased from 15.7% for the year ended 31 December 2013 to 13.7% for the year ended 31 December 2014, primarily due to the reversal of accrued revenue of our fitting-out works for two hotel projects in Russia.

Alteration and addition and construction

Our revenue generated from alteration and addition and construction business decreased by HK\$361.5 million, or 53.9%, from HK\$670.4 million for the year ended 31 December 2013 to HK\$308.9 million for the year ended 31 December 2014, primarily due to the substantial completion of several projects in 2013 such as the redevelopment of a commercial building in Kwun Tong, Hong Kong and the alteration and addition works for a food factory in Tai Po, Hong Kong.

FINANCIAL INFORMATION

Cost of sale for our alteration and addition and construction business decreased by HK\$295.2 million, or 50.2%, from HK\$588.5 million for the year ended 31 December 2013 to HK\$293.3 million for the year ended 31 December 2014, generally in line with our alteration and addition and construction projects progress.

Based on the above factors, our gross profit for alteration and addition and construction business decreased by HK\$66.3 million, or 81.0%, from HK\$81.9 million for the year ended 31 December 2013 to HK\$15.6 million for the year ended 31 December 2014. Our gross profit margin for our alteration and addition and construction business decreased from 12.2% for the year ended 31 December 2013 to 5.1% for the year ended 31 December 2014, primarily due to a higher profit margin we recognised for the alteration and addition project for a five-star hotel project located at North Point, Hong Kong substantially completed in 2013.

Manufacturing, sourcing and distribution of interior decorative materials

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$27.7 million, or 38.5%, from HK\$71.9 million for the year ended 31 December 2013 to HK\$44.2 million for the year ended 31 December 2014, primarily attributable to the discontinuation of sales orders of timber products to Yantai Shentong Import Export Company Limited in November 2013 since which time we had not sold any timber products to Yantai Shentong Import Export Company Limited, which was partially offset by the increased sales of timber products to Southeast Asia and Middle East.

Cost of sale for manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$8.2 million, or 15.9%, from HK\$51.5 million for the year ended 31 December 2013 to HK\$43.3 million for the year ended 31 December 2014, generally in line with the manufacturing progress. The decrease was partially offset by our staff costs for our full-time workers we maintained for our manufacturing operations.

Based on the above factors, our gross profit for manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$19.5 million, or 95.6%, from HK\$20.4 million for the year ended 31 December 2013 to HK\$0.9 million for the year ended 31 December 2014. Our gross profit margin for manufacturing, sourcing and distribution of interior decorative materials business decreased from 28.4% for the year ended 31 December 2013 to 2.0% for the year ended 31 December 2014 primarily due to a higher profit margin attributable to the sales of timber products to Yantai Shentong Import Export Company Limited in 2012 and 2013 which were discontinued in November 2013. Such decrease was also due to the additional repair and modification works we performed at our own cost starting from 2014.

Eight Months Ended 31 August 2015 Compared with Eight Months Ended 31 August 2014

Continuing Fitting-out works

Our revenue generated from fitting-out works for continuing operations increased by HK\$1,529.3 million, or 196.5%, from HK\$778.2 million for the eight months ended 31 August 2014 to HK\$2,307.5 million for the eight months ended 31 August 2015, primarily due to an increase of HK\$1,354.8 million in the revenue generated from fitting-out works for hotel and serviced apartment mainly caused by the commencement of eight projects in Macau during the second half of 2014 and the first half of 2015 and out of which five projects were substantially completed for the eight months ended 31 August 2015.

Cost of sale for our continuing fitting-out business increased by HK\$1,285.7 million, or 195.4%, from HK\$657.9 million for the eight months ended 31 August 2014 to HK\$1,943.6 million for the eight months ended 31 August 2015, generally in line with our fitting-out projects progress.

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Based on the above factors, our gross profit for our continuing fitting-out business increased by HK\$243.6 million, or 202.5%, from HK\$120.3 million for the eight months ended 31 August 2014 to HK\$363.9 million for the eight months ended 31 August 2015. Our gross profit margin for our continuing fitting-out business remained relatively stable at 15.5% and 15.8% for the eight months ended 31 August 2014 and 2015, respectively.

Alteration and addition and construction

Our revenue generated from alteration and addition and construction business increased by HK\$184.6 million, or 91.1%, from HK\$202.7 million for the eight months ended 31 August 2014 to HK\$387.3 million for the eight months ended 31 August 2015, primarily due to the commencement of a garden house development project in Lantau Island and a foundation project in Yuen Long in the end of 2014 and early 2015, respectively.

Cost of sale for our alteration and addition and construction business increased by HK\$181.2 million, or 95.8%, from HK\$189.1 million for the eight months ended 31 August 2014 to HK\$370.3 million for the eight months ended 31 August 2015, generally in line with the alteration and addition and construction projects progress.

Based on the above factors, our gross profit for alteration and addition and construction business increased by HK\$3.4 million, or 25.0%, from HK\$13.6 million for the eight months ended 31 August 2014 to HK\$17.0 million for the eight months ended 31 August 2015. Our gross profit margin for our alteration and addition and construction business decreased from 6.7% for the eight months ended 31 August 2014 to 4.4% for the eight months ended 31 August 2015, primarily due to the revision of the budgets by our quantity surveyors as higher costs expected to be incurred for three projects for the eight months ended 31 August 2015.

Manufacturing, sourcing and distribution of interior decorative materials

Our revenue generated from manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$35.2 million, or 84.6%, from HK\$41.6 million for the eight months ended 31 August 2014 to HK\$6.4 million for the eight months ended 31 August 2015, primarily attributable to the decreased sales of wooden furniture to a hotel located in Chengdu, the PRC and decreased sales of wooden furniture to Middle East and Southeast Asia.

Cost of sale for manufacturing, sourcing and distribution of interior decorative materials business decreased by HK\$30.1 million, or 78.0%, from HK\$38.6 million for the eight months ended 31 August 2014 to HK\$8.5 million for the eight months ended 31 August 2015, in line with the manufacturing process.

Based on the above factors, we recorded a gross profit of HK\$3.0 million for manufacturing, sourcing and distribution of interior decorative materials business for the eight months ended 31 August 2014 and recorded a gross loss of HK\$2.1 million for the eight months ended 31 August 2015. As a result, our gross profit margin for manufacturing, sourcing and distribution of interior decorative materials business was 7.2% for the eight months ended 31 August 2014 and our gross loss margin was 32.8% for the eight months ended 31 August 2015, primarily due to no substantial sales as well as the additional repair and modification works we performed at our own cost for the eight months ended 31 August 2015.

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ANALYSIS OF FINANCIAL POSITION

The following table sets forth our Group's consolidated statements of financial position as at the dates indicated.

	2012	As at 31 December 2013 <i>HK\$ in millions</i>	2014	As at 31 August 2015
Assets				
Non-current assets				
Property, plant and equipment	31.1	30.5	30.2	18.2
Available-for-sale investment	—	—	—	142.4
Interests in associates	—	—	66.7	101.9
Other non-current assets	20.9	16.7	12.6	1.8
	<u>52.0</u>	<u>47.2</u>	<u>109.5</u>	<u>264.3</u>
Current assets				
Trade and other receivables	332.9	731.8	826.2	510.8
Amounts due from customers for contract work	607.3	535.3	879.1	670.1
Retentions receivable	169.8	209.7	327.8	326.9
Bank balances and cash	242.4	299.3	361.8	195.3
Other current assets	91.9	80.4	108.9	101.5
	<u>1,444.3</u>	<u>1,856.5</u>	<u>2,503.8</u>	<u>1,804.6</u>
Current liabilities				
Trade and other payables	633.4	923.7	1,382.8	980.2
Amounts due to customers for contract work	36.2	111.5	79.1	122.2
Bank borrowings	70.0	54.0	96.3	147.6
Other current liabilities	173.7	119.1	174.2	160.2
	<u>913.3</u>	<u>1,208.3</u>	<u>1,732.4</u>	<u>1,410.2</u>
Net current assets	<u>531.0</u>	<u>648.2</u>	<u>771.4</u>	<u>394.4</u>
Total assets less current liabilities	<u>583.0</u>	<u>695.4</u>	<u>880.9</u>	<u>658.7</u>
Non-current liabilities				
Bank borrowings	44.4	22.2	22.5	—
Deferred tax liabilities	1.2	0.9	1.0	—
	<u>45.6</u>	<u>23.1</u>	<u>23.5</u>	<u>—</u>
Net assets	<u>537.4</u>	<u>672.3</u>	<u>857.4</u>	<u>658.7</u>
Total equity	<u>537.4</u>	<u>672.3</u>	<u>857.4</u>	<u>658.7</u>

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Available-for-sale investment

During the Track Record Period, we purchased available-for-sale investment in the form of shares of a listed company on the Stock Exchange. We are subject to the pricing risks associated with our investment in the shares in the open market. As at 31 August 2015, our available-for-sale investment amounted to HK\$142.4 million, which represented our investment in the shares of Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited), which was listed on the Main Board of the Stock Exchange (stock code: 2389). The investment we hold can be trade in the open market and are not subject to any selling restriction.

We have implemented our internal policies since July 2009 which provide the following guidelines, requirements and approval process with respect to our investment and derivative transactions. We regularly evaluate the risks and returns of our investments. Our investments are recommended by the management which will be subsequently reviewed and approved by the chief financial officer (for investment below HK\$0.5 million) or any two Directors (for investments above HK\$0.5 million). Our accounts department is responsible to keep relevant investment record and prepare investment summary on a monthly basis for our management to review. The fair value of available-for-sale securities is determined in accordance with the open market price of such securities as at each month end. We have strictly adhered to our investment policies and will continue to monitor our risks and returns associated with our investments.

If suitable opportunity arises, we may make other available-for-sale investment in the future using our excess cash, if our cash balance on hand is not less than HK\$150 million, our unutilized bank facilities amounted to over HK\$400 million and our gearing ratio is lower than 35%. Our management will identify suitable mid- to long term target, including equity investment and/or bond, with appreciation potentials and manageable risks subject to our chief financial officer's supervision and our Directors' approval. Taking into account our financial condition, cash flow and cash flow forecast, our management will determine the investment amount each time and secure that our cash balance on hand will remain not less than HK\$150 million and our gearing ratio will remain not higher than 35% after the investment. We understand that upon Listing, certain investments may constitute notifiable transactions under Chapter 14 of the Listing Rules and our Directors confirm that any such investments would only be made after compliance with the Listing Rules as well as other relevant laws and regulations in Hong Kong and the PRC. As at the Latest Practicable Date, we did not have any plan to invest in or any funds allocated for any other available-for-sale investments in the near future.

Amounts due from/to customers for contract work

Our revenue is recognised on the percentage of completion method, measured with reference to the value of work done during the year or period. There is normally a timing difference between the completion of site work and payment by our customers after the issuance of progress certificates. Amounts due from customers for contract work represent the value of work performed by us less progress payments our customers have made. From time to time, instead of progress payment, our customers may also pay us in the form of stage payment, which will be made upon the milestone event or date, regardless of the value of work we have done. In addition, our customers sometimes may over-certify the value of

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work we have done. Under such circumstance, we may record amounts due to customers, which represent payments we have received less the actual value of work we have done. The following table sets forth our amounts due from/to customers for contract work as at the dates indicated.

	As at 31 December			As at
	2012	2013	2014	31 August
	<i>HK\$ in millions</i>			
Amounts due from customers for contract work	607.3	535.3	879.1	670.1
Amounts due to customers for contract work	<u>(36.2)</u>	<u>(111.5)</u>	<u>(79.1)</u>	<u>(122.2)</u>
	<u>571.1</u>	<u>423.8</u>	<u>800.0</u>	<u>547.9</u>

Amounts due from/to customers for contract work are generally affected by the value of work done and the timing of receipt of payment. Therefore, our Directors consider that this is common those balances vary from time to time.

Amounts due from customers decreased from HK\$607.3 million as at 31 December 2012 to HK\$535.3 million as at 31 December 2013, primarily due to the issuance of the final account of a sizeable casino fitting-out project as well as a sizeable hotel fitting-out project located at Cotai, Macau in 2013. Amounts due from customers increased from HK\$535.3 million as at 31 December 2013 to HK\$879.1 million as at 31 December 2014, primarily due to our fitting-out business expansion in Macau in 2014. Amounts due from customers then decreased from HK\$879.1 million as at 31 December 2014 to HK\$670.1 million as at 31 August 2015, primarily due to a decrease of HK\$214.6 million in the amounts due from customers for contract work associated with the disposal of Sundart Beijing in April 2015.

Amounts due to customers increased from HK\$36.2 million as at 31 December 2012 to HK\$111.5 million as at 31 December 2013, primarily due to an increase of HK\$55.2 million in the amounts due to customers caused by over-certified works for our fitting-out projects in the PRC and an increase of HK\$16.5 million in the amounts due to customers caused by over-certified works for our fitting-out projects in Hong Kong in 2013. Amounts due to customers decreased from HK\$111.5 million as at 31 December 2013 to HK\$79.1 million as at 31 December 2014, primarily due to an increase of HK\$43.0 million works performed by Sundart Beijing which was partially offset by an increase of HK\$14.1 million in the over-certified works for certain fitting-out projects in Hong Kong. Amounts due to customers then increased from HK\$79.1 million as at 31 December 2014 to HK\$122.2 million as at 31 August 2015, primarily due to an increase of HK\$79.8 million in the amounts due to customers caused by over-certified works for several fitting-out projects in Macau for the eight months ended 31 August 2015, which was partially offset by a decrease of HK\$38.1 million in the amounts due to customers associated with the disposal of Sundart Beijing.

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Trade and other receivables

Our trade and other receivables primarily consist of trade receivables, prepayments and deposits and other receivables. The following table sets forth our trade and other receivables as at the dates indicated.

	As at 31 December			As at
	2012	2013	2014	31 August
	<i>HK\$ in millions</i>			
Trade receivables	158.0	388.4	411.0	211.7
Prepayments and deposits	156.3	308.9	394.2	290.0
Other receivables ⁽¹⁾	18.6	34.5	21.0	9.1
	332.9	731.8	826.2	510.8

Note:

(1) comprising of temporary payment and receivables from third parties.

Trade receivables

The majority of our revenues are generated through fitting-out and alteration and addition and construction contracts, which are settled in accordance with the terms specified in relevant contracts. Credit terms range from 30 to 45 days after the issuance of the payment request sheet or payment certificate depending on the customer. We consider the credit terms for each customer on a case-by-case basis and set out in the contract. The creditworthiness of a customer is assessed on their payment history and ability to make payments. We receive payments from our customers in the form of deposit, progress payment and the return of retention money. For projects in Macau, our customers generally pay us a deposit of between 10% to 20% of the total contract sum at the beginning of the project. For projects in Hong Kong, our customers generally do not pay us any deposit following the market practice. Our customers make progress payments on a monthly basis by reference to the works we have done. Upon the completion of a project, our customers usually retain 5% of the total contract sum of the projects as retention money. See “Business — Fitting-out Business — Operating Procedures — Project Administration — Progress payment and retention money”.

The increase in trade receivables from HK\$158.0 million as at 31 December 2012 to HK\$388.4 million as at 31 December 2013 and further to HK\$411.0 million as at 31 December 2014 was primarily driven by increase in trade receivables turnover days in respect of fitting-out works in the PRC conducted by Sundart Beijing. The decrease in trade receivables from HK\$411.0 million as at 31 December 2014 to HK\$211.7 million as at 31 August 2015 was primarily driven by a decrease in trade receivable turnover days because of disposal of Sundart Beijing in April 2015.

According to our estimates, as at 31 October 2015, 85.9% of the trade receivables outstanding as at 31 August 2015 were settled.

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The following table sets forth the aging analysis of our trade receivables as at the dates indicated.

	As at 31 December			As at
	2012	2013	2014	31 August
	<i>HK\$ in millions</i>			
Not overdue	113.7	249.9	234.3	188.1
Overdue:				
Within 30 days	28.0	80.7	19.5	12.7
31-60 days	0.3	30.8	39.2	0.4
61-90 days	0.9	3.8	52.2	3.5
Over 90 days	15.1	23.2	65.8	7.0
	158.0	388.4	411.0	211.7
	158.0	388.4	411.0	211.7

The following table sets forth the turnover days of our trade receivables as at the dates indicated.

	For the year ended 31 December			Eight
	2012	2013	2014	months
				ended
				31 August
				2015
Trade receivable turnover days ⁽¹⁾	33	42	43	25

Note:

- (1) Calculated based on the average of beginning and ending balance of total trade receivables (including trade receivables of amount due from a related company and bills receivable), net of provision on impairment as at the reporting date divided by turnover for the year/period, multiplied by 365 days/243 days in the year/period.

Our trade receivable turnover days increased from 33 days for the year ended 31 December 2012 to 42 days for the year ended 31 December 2013, primarily as a result of the longer collection period from our customers in respect of certain projects in the PRC by Sundart Beijing in 2013. Our trade receivable turnover days significantly decreased to 25 days for the eight months ended 31 August 2015 from 43 days for the year ended 31 December 2014, primarily due to our disposal of Sundart Beijing.

Save for the written off of trade receivables amounting to HK\$10.2 million during the eight months ended 31 August 2015, we had not provided provision for or written off of any material trade receivables during the Track Record Period.

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Prepayments and deposits

Prepayments and deposits primarily represented the deposits or the amount we paid in advance for rental, utilities, insurance, subcontracting payment, material costs and project in advance for our projects and operations. Prepayments and deposits increased from HK\$156.3 million as at 31 December 2012 to HK\$308.9 million as at 31 December 2013, primarily due to the increase in project deposits or prepayments for subcontracting payment and the material purchase associated with our projects in Hong Kong, Macau and the PRC. Prepayments and deposits increased from HK\$308.9 million as at 31 December 2013 to HK\$394.2 million as at 31 December 2014, primarily due to the increase in deposits for subcontracting payment and the material purchase for projects in Macau. Prepayments and deposits decreased from HK\$394.2 million as at 31 December 2014 to HK\$290.0 million as at 31 August 2015, primarily due to the decrease in projects deposits for material purchase and project in advance as a result of the disposal of Sundart Beijing in April 2015.

Other receivables

Other receivables primarily represent temporary payments and receivables from third parties such as injured worker's compensation to be reimbursed by the insurance company and recoverable within one year. Our other receivables increased from HK\$18.6 million as at 31 December 2012 to HK\$34.5 million as at 31 December 2013 primarily due to an increase in temporary payment for onsite miscellaneous expenses caused by our business expansion. Our other receivables decreased from HK\$34.5 million as at 31 December 2013 to HK\$21.0 million as at 31 December 2014 primarily due to the settlement of temporary payment in 2014. Our other receivables then further decreased from HK\$21.0 million as at 31 December 2014 to HK\$9.1 million as at 31 August 2015 primarily due to the decrease in the sundry debtor.

Retentions receivable

Retentions receivable is recognised immediately when the customers hold up a portion of each progress payments since payment of the first progress payment until 5% of the contract sum is reached rather than at the time when the certificate of completion is issued. Also, some of our fitting-out and alteration and addition and construction projects may last for over 12 months. For most of the fitting-out and alteration and addition and construction projects, half of the retentions receivable will generally be released to us by our customers after the issue of the certificate of practical completion and the remaining portion will be released after the defect liability period. Therefore, a significant portion of retentions receivable remained outstanding as at the end of the reporting period.

As at 31 December 2012, 2013 and 2014 and 31 August 2015, our retentions receivable were HK\$169.8 million, HK\$209.7 million, HK\$327.8 million and HK\$326.9 million, respectively, which were generally in line with our business expansion. As at 31 August 2015, retentions receivable which would be recovered within 12 months amounted to HK\$204.8 million, none of which had been settled up to 31 October 2015. Our Directors confirmed that the outstanding amount is related to projects which are currently either still in progress or under the defect liability period and hence is not overdue.

In the event that retentions receivable may impair, we consider on a case-by-case basis and take into accounts of our customers' credit history, their reputation and financial condition for any impairment we need to make. During the Track Record Period, we did not experience any material difficulty in collecting retentions receivable from our customers and did not make any impairment in this regard.

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Bank balance and cash

As at 31 December 2012, 2013 and 2014 and 31 August 2015, we had bank balances and cash of HK\$242.4 million, HK\$299.3 million, HK\$361.8 million and HK\$195.3 million, respectively.

Trade and other payables

Our trade and other payables generally comprised of contract creditors and suppliers, retentions payable, deposits received and other payables. The following table sets forth our trade and other payables as at the dates indicated.

	As at 31 December			As at 31 August
	2012	2013	2014	2015
	<i>HK\$ in millions</i>			
Contract creditors and suppliers	304.6	310.5	501.7	389.0
Retentions payable	105.1	145.8	224.1	183.9
Deposits received	169.7	387.3	563.7	383.0
Other payables ⁽¹⁾	54.0	80.1	93.3	24.3
	633.4	923.7	1,382.8	980.2

Note:

(1) comprising of accrued expenses and temporary receipt.

Contract creditors and suppliers

Our contract creditors and suppliers excluding retentions payable and deposits received are derived primarily from payables relating to the purchase of materials and subcontracting fees. The credit period is granted by our suppliers and subcontractors on a case-by-case basis. In general, our creditors and suppliers granted us an average credit period ranging from 14 to 30 days during the Track Record Period.

Our contract creditors and suppliers increased from HK\$304.6 million as at 31 December 2012, to HK\$310.5 million as at 31 December 2013, further to HK\$501.7 million as at 31 December 2014, primarily in line with our business expansion. Our contract creditors and suppliers decreased from HK\$501.7 million as at 31 December 2014 to HK\$389.0 million as at 31 August 2015, primarily due to a decrease of HK\$127.0 million in the contract creditors and suppliers as a result of the disposal of Sundart Beijing in April 2015.

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The following table sets forth the contract creditors and suppliers turnover days as at the dates indicated.

	For the year ended 31 December			Eight months ended
				31 August
	2012	2013	2014	2015
Trade payable turnover days ⁽¹⁾	50	56	55	42

Note:

- (1) Calculated based on the average of beginning and ending balance of total contract creditors (including bills payable and trade payables of amounts due to ultimate holding company and fellow subsidiaries) as at the reporting dates divided by turnover for the years/period, multiplied by 365 days/243 days in the years/period.

Our trade payable turnover days remained relatively stable, at 50 days, 56 days and 55 days for the years ended 31 December 2012, 2013 and 2014. The trade payable turnover days decreased from 55 days for the year ended 31 December 2014 to 42 days for the eight months ended 31 August 2015 because of a decrease in the trade payable amount as a result of the disposal of Sundart Beijing in April 2015. In the past, Sundart Beijing normally had trade payable turnover days of over 30 days.

The following table sets forth the aging analysis of contract creditors and suppliers based on the invoice date as at the dates indicated.

	As at 31 December			As at
				31 August
	2012	2013	2014	2015
	<i>HK\$ in millions</i>			
Within 30 days	254.6	246.7	345.2	347.3
31–60 days	33.1	25.9	27.7	28.3
61–90 days	8.7	7.1	10.5	3.0
Over 90 days	8.2	30.8	118.3	10.4
	<u>304.6</u>	<u>310.5</u>	<u>501.7</u>	<u>389.0</u>

Our Directors confirm that our trade payables aged over 90 days during the Track Record Period were not due to disputes with relevant creditors nor our financial problem.

Up to 31 October 2015, trade payables in the amount of HK\$294.6 million, which represented approximately 75.7% of the balances as at 31 August 2015 have been subsequently settled.

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Retentions payable

As at 31 December 2012, 2013 and 2014 and 31 August 2015, our retentions payable were HK\$105.1 million, HK\$145.8 million, HK\$224.1 million and HK\$183.9 million, respectively, of which HK\$32.1 million, HK\$73.7 million, HK\$116.1 million and HK\$72.9 million were expected to be paid after one year.

Retentions payable is recognised immediately after we deduct each progress payment from the subcontractors since payment of the first progress payment rather than at the time when the certificate of completion is issued. Also, some of our fitting-out and alteration and addition and construction projects may last for over 12 months and half of the retentions payable will generally be released by us to our subcontractors after the defect liability period. Therefore, a significant portion of retentions payable remained outstanding as at the end of reporting period.

Deposits received

For projects in Macau, our customers generally pay us a deposit ranging from 10% to 20% of the total contract sum at the beginning of the project. For projects in Hong Kong, our customers generally do not pay us any deposit following the market practice. As at 31 December 2012, 2013 and 2014 and 31 August 2015, our deposits received were HK\$169.7 million, HK\$387.3 million, HK\$563.7 million and HK\$383.0 million, respectively, which is in line with our business expansion in Macau since 2013.

Other payables

Other payables primarily comprise accrued expenses and temporary receipt. Other payables increased from HK\$54.0 million as at 31 December 2012 to HK\$80.1 million as at 31 December 2013 and further to HK\$93.3 million as at 31 December 2014, primarily due to the increase in accrued salaries for bonus and the increase in accrued PRC tax payable in line with the business expansion of Sundart Beijing in 2013. Other payables decreased to HK\$24.3 million as at 31 August 2015, primarily due to the decrease in accrued salaries for bonus which has been paid in February 2015 and the decrease in accrued PRC tax payable as a result of the disposal of Sundart Beijing in April 2015.

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Cash Flows

The following table sets forth condensed summary of our consolidated statements of cash flow for the periods indicated.

	For the year ended 31 December			Eight months ended	
	2012	2013	2014	31 August 2014	2015
	<i>HK\$ in millions</i>				
Net cash generated from (used in) operating activities	172.7	175.4	114.7	(88.6)	89.3
Net cash generated from (used in) investing activities	216.4	(8.3)	(121.8)	(79.6)	(25.3)
Net cash (used in) generated from financing activities	(469.0)	(115.1)	30.1	(11.1)	(229.9)
Cash and cash equivalents at the beginning of the financial year/period	322.2	242.4	299.3	299.3	321.8
Effect of foreign exchange rate changes	0.1	4.9	(0.5)	(1.9)	(0.6)
	<u>0.1</u>	<u>4.9</u>	<u>(0.5)</u>	<u>(1.9)</u>	<u>(0.6)</u>
Cash and cash equivalents as at the end of the financial year/period	<u>242.4</u>	<u>299.3</u>	<u>321.8</u>	<u>118.1</u>	<u>155.3</u>

Net cash from (used in) operating activities

Net cash generated from (used in) operating activities primarily consists of profit before taxation adjusted for finance costs, depreciation and the effect of changes in working capital.

Our Group derives its cash inflow from operating activities primarily from the receipt of payments from contract work. Our Group's cash outflow from operations primarily includes subcontracting costs, purchases of raw materials and staff costs.

For the year ended 31 December 2012, net cash generated from operating activities was HK\$172.7 million. Significant working capital movements with net cash generated from operating activities included:

- an increase in trade and other payables of HK\$300.3 million, primarily attributable to an increase of HK\$155.0 million in trade payables and retentions payable to our subcontractors and suppliers and an increase of HK\$126.8 million in deposits received by Sundart Beijing and deposits received from our customers associated with our Russia-related Business;

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- an increase in amounts due from customers for contract work of HK\$194.5 million, primarily attributable to an increase in revenue recognised for fitting-out projects in Russia and the PRC and also alteration and addition and construction projects in Hong Kong; and
- an increase in trade and other receivables of HK\$67.6 million, primarily attributable to an increase of HK\$61.6 million in project deposits placed with our subcontractors and suppliers in Hong Kong in relation to projects which we have not yet received any services or goods.

For the year ended 31 December 2013, net cash generated from operating activities was HK\$175.4 million. Significant working capital movements with net cash generated from operating activities included:

- an increase in trade and other receivables of HK\$398.9 million, primarily attributable to an increase of HK\$230.4 million in trade receivables and an increase of HK\$163.5 million in project deposit and guarantee deposits to customers paid associated with our fitting-out business expansion in both Hong Kong and the PRC;
- an increase in trade and other payables of HK\$290.3 million, primarily attributable to an increase of HK\$217.6 million in project deposits received associated with our fitting-out business expansion in both Macau and the PRC;
- an increase in amounts due to customers for contract work of HK\$75.3 million, primarily attributable to an increase of HK\$55.2 million in amounts due to customers for contract work in the PRC and an increase of HK\$16.5 million in amounts due to customers for contract work in Hong Kong; and
- a decrease in amounts due from customers for contract work of HK\$72.0 million, primarily attributable to a decrease of HK\$95.3 million in amounts due from customers for contract work in Macau which was partially offset by an increase of HK\$24.8 million in amounts due from customers for contract work in the PRC.

For the year ended 31 December 2014, net cash generated from operating activities was HK\$114.7 million. Significant working capital movements with net cash generated from operating activities included:

- an increase in trade and other payables of HK\$459.1 million, primarily attributable to an increase of HK\$269.5 million in trade payables and retentions payable and an increase of HK\$176.4 million in project deposits received associated with our fitting-out business expansion in Macau;
- an increase in amounts due from customers for contract work of HK\$343.8 million, primarily attributable to our business expansion in Macau;

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- an increase in retentions receivable of HK\$118.1 million, primarily attributable to an increase of HK\$58.4 million in retentions receivable for our fitting-out works in Macau and an increase of HK\$43.6 million in retentions receivable for our fitting-out works in the PRC; and
- an increase in trade and other receivables of HK\$94.3 million, primarily attributable to an increase of HK\$74.2 million in purchase deposits and an increase of HK\$22.6 million in trade receivables mainly for our fitting-out projects in Macau and the PRC.

For the eight months ended 31 August 2015, net cash generated from operating activities was HK\$89.3 million. Significant working capital movements with net cash generated from operating activities included:

- a decrease in trade and other payables of HK\$148.5 million, primarily attributable to a decrease of HK\$161.3 million in project deposits received and a decrease of HK\$29.0 million in other payables for our fitting-out projects in Hong Kong, Macau and the PRC and partially offset by an increase of HK\$37.4 million in retentions payable for our fitting-out projects in Hong Kong and Macau;
- an increase in amounts due from customers for contract work of HK\$163.3 million, primarily attributable to an increase of HK\$157.6 million in amounts due from customers for our fitting-out projects in the PRC and an increase of HK\$162.8 million in amounts due from customers for our fitting-out projects in Hong Kong which was partially offset by a decrease of HK\$157.1 million in amounts due from customers for our fitting-out projects in Macau;
- an increase in amounts due to customers for contract work of HK\$99.5 million, primarily attributable to an increase of HK\$79.8 million in amounts due to customers for our fitting-out projects in Macau and an increase of HK\$18.3 million in amounts due to customers for our fitting-out projects in the PRC; and
- an increase in bills payable of HK\$65.9 million, primarily attributable to the increased bills payables associated with our fitting-out business expansion in the PRC.

Net cash from (used in) investing activities

For the year ended 31 December 2012, net cash generated from investing activities was HK\$216.4 million, primarily attributable to the receipt of repayment of HK\$184.9 million of amount due from a fellow subsidiary and receipt of HK\$34.5 million from our disposal of Keen Virtue Group Limited and its subsidiaries and Talent Step Investments Limited.

For the year ended 31 December 2013, net cash used in investing activities was HK\$8.3 million, primarily attributable to the placement of pledged bank deposits of HK\$35.3 million for deposit pledged to secure bills payable and purchases of property, plant and equipment of HK\$7.8 million which was partially offset by the release of pledged bank deposits of HK\$32.6 million.

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For the year ended 31 December 2014, net cash used in investing activities was HK\$121.8 million, primarily attributable to the placement of pledged bank deposits of HK\$84.5 million for deposit pledged to secure bills payable and the advance of HK\$60.0 million to Eagle Vision for the acquisition of 70% equity interest in SLDL in 2014, which was partially offset by the release of pledged bank deposits of HK\$60.3 million.

For the eight months ended 31 August 2015, net cash used in investing activities was HK\$25.3 million, primarily attributable to our investment of HK\$104.3 million in the shares of Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited), which was listed on the Main Board of the Stock Exchange and the placement of pledged bank deposits of HK\$32.7 million for deposit pledged to secure bills payable, which was partially offset by the release of pledged bank deposits of HK\$14.7 million and HK\$96.0 million proceeds from our disposal of Sundart Beijing in April 2015.

Net cash (used in) from financing activities

For the year ended 31 December 2012, net cash used in financing activities was HK\$469.0 million, primarily attributable to the repayment of a shareholder loan of HK\$470.0 million to Rykadan Capital Limited, our former shareholder and the repayment of bank borrowings of HK\$194.0 million which was partially offset by new bank borrowings of HK\$141.6 million we raised.

For the year ended 31 December 2013, net cash used in financing activities was HK\$115.1 million, primarily attributable to the repayment of bank borrowings of HK\$232.3 million and repayment of shareholder loan of HK\$82.7 million to Rykadan Capital Limited, our former shareholder, which was partially offset by new bank borrowings of HK\$194.1 million we raised.

For the year ended 31 December 2014, net cash generated from financing activities was HK\$30.1 million, primarily attributable to new bank borrowings of HK\$284.5 million we raised, which was partially offset by the repayment of bank borrowings of HK\$241.9 million. We also paid a dividend of HK\$20.0 million in 2014 which we declared for the year ended 31 December 2013.

For the eight months ended 31 August 2015, net cash used in financing activities was HK\$229.9 million, primarily attributable to the repayment of bank borrowings of HK\$274.0 million and the payment of dividend of HK\$354.5 million, which was partially offset by new bank borrowings of HK\$316.9 million and advances from our ultimate holding company of HK\$31.0 million and a fellow subsidiary of HK\$50.7 million we raised.

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MAJOR FINANCIAL RATIOS

	For the year ended or as at 31 December			Eight months ended or as at 31 August
	2012	2013	2014	2015
	Trade receivable turnover days ⁽¹⁾	33	42	43
Trade payable turnover days ⁽²⁾	50	56	55	42
Gearing ratio ⁽³⁾	36.7%	12.2%	14.5%	22.4%
Current ratio ⁽⁴⁾	1.6	1.5	1.5	1.3
Quick ratio ⁽⁵⁾	1.5	1.5	1.4	1.3
Return on equity ⁽⁶⁾	21.7%	22.6%	21.9%	n/a
Return on total assets ⁽⁷⁾	7.4%	7.5%	6.8%	n/a
Net debt to equity ratio ⁽⁸⁾	Net cash	Net cash	Net cash	Net cash
Interest coverage ⁽⁹⁾	47.7	84.9	237.3	143.4

Notes:

- (1) The trade receivable turnover days is calculated based on the average of the beginning and ending balance of total trade receivables (including trade receivables of amount due from a related company and bills receivable), net of provision on impairment, as at the reporting date divided by turnover for the year/period, and multiplied by 365 days/243 days in the year/period.
- (2) The trade payable turnover days is calculated based on the average of the beginning and ending balance of total contract creditors including bills payable and trade payables of amounts due to ultimate holding company and fellow subsidiaries as at the reporting dates divided by turnover for the year/period, and multiplied by 365 days/243 days in the year/period.
- (3) The gearing ratio is calculated by dividing total debts (including bank borrowings and amounts due to ultimate holding company and a non-controlling shareholder incurred not in ordinary course of business) with total equity as at the end of respective years/period multiplied by 100%.
- (4) The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year/period.
- (5) The quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the end of the respective year/period.
- (6) Return on equity equals the profit attributable to owners of our Company for each year from continuing and discontinued operations divided by the ending balance of equity attributable to owners of our Company as at the end of the respective years. Return on equity rate for the eight months ended 31 August 2015 is not comparable to full year figures.
- (7) Return on total assets equals profit attributable to owners of our Company for the year from continuing and discontinued operations divided by total assets. Return on total assets rate for the eight months ended 31 August 2015 is not comparable to full year figures.
- (8) The net debt to equity ratio is calculated by dividing all borrowings minus cash and cash equivalents and pledged bank deposits by total equity.
- (9) Interest coverage equals profit before interest expenses and tax for continuing operations for the year/period divided by interest expenses from continuing operations.

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Gearing ratio

We recorded a high gearing of 36.7% as at 31 December 2012 as compared with 12.2% as at 31 December 2013, primarily due to the repayment of HK\$82.7 million to Rykadan Capital Limited, our former shareholder, in 2013.

The gearing ratio increased from 14.5% as at 31 December 2014 to 22.4% as at 31 August 2015, primarily due to a decrease in equity as a result of the dividend of HK\$450.0 million declared in April 2015 and the increase in bank borrowings.

Current ratio

Our current ratio remained relatively stable, at 1.6, 1.5 and 1.5 as at 31 December 2012, 2013 and 2014, respectively. The current ratio decreased to 1.3 as at 31 August 2015 was primarily due to the dividend of HK\$450.0 million declared in April 2015, all of which had been settled up to November 2015.

Quick ratio

Our quick ratio remained relatively stable at 1.5 as at 31 December 2012 and 2013. It decreased to 1.4 as at 31 December 2014, primarily due to an increase of HK\$459.1 million in trade and other payables as at 31 December 2014. The quick ratio further decreased to 1.3 as at 31 August 2015, primarily attributable to the same reason with the current ratio as mentioned above.

Return on equity

Our return on equity rate remained relatively stable for the years ended 31 December 2012, 2013 and 2014, at 21.7%, 22.6% and 21.9%, respectively.

Return on total assets

Our return on total assets rate remained relatively stable for the years ended 31 December 2012, 2013 and 2014, at 7.4%, 7.5% and 6.8%, respectively.

Net debt to equity ratio

We recorded negative net debt to equity ratio as at 31 December 2012, 2013 and 2014 and 31 August 2015, as we had sufficient cash and cash equivalents and pledged bank deposits to cover the borrowings we had as at such dates.

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Interest Coverage

Our interest coverage increased from 47.7 times for the year ended 31 December 2012, to 84.9 times for the year ended 31 December 2013, and further to 237.3 times for the year ended 31 December 2014, primarily due to an increase in our net profit from continuing operations during those two years along with the decrease in the interest expenses due to the repayment of loan and the increased bank balances and cash we held in 2013 and 2014. Our interest coverage decreased to 143.4 times for the eight months ended 31 August 2015, primarily due to an increase in the interest expenses on bank borrowings for the eight months ended 31 August 2015.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements, that is, for at least in the next 12 months commencing from the date of this Prospectus.

We strive to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations, we also seek bank borrowings to fund our working capital requirement. We have maintained long-term relationships with various commercial banks in Hong Kong and Macau and it is believed that the existing short-term bank borrowings will be accepted for renewal upon their maturity, if necessary.

We expect to finance our operations through a combination of operating cash inflows, our proceeds from the Global Offering and/or bank borrowings.

OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, we did not enter into any material off-balance sheet transactions.

NET CURRENT ASSETS

As at 31 December 2012, 2013 and 2014 and 31 August 2015, we had net current assets of HK\$531.0 million, HK\$648.2 million, HK\$771.4 million and HK\$394.4 million, respectively. The general increase from 2012 to 2014 was primarily due to our business expansion and the decrease from 31 December 2014 to 31 August 2015 was primarily due to the dividend of HK\$450.0 million declared in April 2015, all of which had been settled up to November 2015.

As at 31 October 2015, being the latest practicable date for the preparation of the working capital sufficiency statement in this Prospectus, we had net current assets of approximately HK\$463.5 million, comprising current assets of approximately HK\$1,828.3 million and current liabilities of approximately HK\$1,364.8 million.

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The following table sets out the composition of our current assets and liabilities as at the dates indicated.

	As at 31 December			As at	As at
	2012	2013	2014	31 August	31 October
			(HK\$'000)	2015	2015
					(unaudited)
Current assets					
Inventories	67,045	42,671	60,332	41,023	50,847
Amount due from an associate	—	—	142	—	—
Amounts due from related companies	17,782	11,467	19	—	19
Amount due from a fellow subsidiary ⁽¹⁾	—	6,084	8,395	6,313	5,529
Amount due from an intermediate holding company	—	—	—	43,431	—
Trade and other receivables	332,918	731,835	826,165	510,807	524,051
Bills receivable	668	11,409	697	—	—
Amounts due from customers for contract work	607,345	535,319	879,076	670,138	690,409
Retentions receivable	169,840	209,730	327,803	326,879	351,533
Tax recoverable	569	330	6,747	5,382	4,902
Dividend receivable from an associate	—	—	—	5,320	—
Pledged bank deposits	5,767	8,449	32,648	—	—
Bank balances and cash	242,370	299,252	361,787	195,250	200,961
	<u>1,444,304</u>	<u>1,856,546</u>	<u>2,503,811</u>	<u>1,804,543</u>	<u>1,828,251</u>
Current liabilities					
Trade and other payables	633,407	923,715	1,382,800	980,207	969,382
Bills payable	10,518	29,925	100,044	—	—
Amounts due to related companies	10,825	—	—	—	—
Amounts due to fellow subsidiaries ⁽¹⁾	31,079	19,335	21,116	3,815	8,210
Amount due to ultimate holding company	24,854	31,485	31,380	—	—
Amounts due to customers for contract work	36,221	111,531	79,097	122,225	99,098
Amount due to a non-controlling shareholder	82,723	—	—	—	—
Dividend payable	—	20,000	—	95,500	52,500
Tax payable	13,654	18,305	21,685	60,851	59,928
Bank borrowings	69,993	54,033	96,319	147,582	175,677
	<u>913,274</u>	<u>1,208,329</u>	<u>1,732,441</u>	<u>1,410,180</u>	<u>1,364,795</u>
Net current assets	<u>531,030</u>	<u>648,217</u>	<u>771,370</u>	<u>394,363</u>	<u>463,456</u>

Note:

- (1) Amounts due from/to fellow subsidiaries are expected to be settled upon Listing, except for the deposit of HK\$6.3 million paid to Jangho Macau, a subsidiary of Jangho Co. and the retentions of HK\$1.9 million payable to Jangho Macau as at 31 August 2015 in relation to the design, supply and installation works subcontracted by us to Jangho Macau, which is expected to be substantially completed by March 2016. See “Connected Transaction — One-off Transaction”. As at 31 October 2015, the deposit paid to Jangho Macau and the retentions payable to Jangho Macau amounted to HK\$5.5 million and HK\$2.4 million, respectively which are expected to be fully settled by 2016 and 2017, respectively. Our Directors confirm that the deposit paid and retentions payable arose in our ordinary course of business and are on normal commercial terms.

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Indebtedness

During the Track Record Period, our indebtedness primarily consists of loans and facilities from banks and amount due to ultimate holding company and amount due to a non-controlling shareholder. As at 31 December 2012, 2013 and 2014, 31 August 2015 and 31 October 2015, our total indebtedness was HK\$197.1 million, HK\$82.1 million, HK\$124.6 million, HK\$147.6 million and HK\$175.7 million, respectively.

The following table sets forth our indebtedness as at the dates indicated.

	As at 31 December			As at 31 August 2015	As at 31 October 2015
	2012	2013	2014		
	<i>(HK\$ in millions)</i>				(unaudited)
Non-current					
Bank borrowings — unsecured	44.4	22.2	22.5	—	—
Current					
Bank borrowings — unsecured	70.0	54.0	96.3	147.6	175.7
Amount due to ultimate holding company	—	5.9	5.8	—	—
Amount due to a non-controlling shareholder	82.7	—	—	—	—
Subtotal	152.7	59.9	102.1	147.6	175.7
Total borrowings	197.1	82.1	124.6	147.6	175.7

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The following table sets forth the maturity profile of our borrowings as at the dates indicated.

	As at 31 December			As at 31 August 2015	As at 31 October 2015
	2012	2013	2014		
	<i>(HK\$ in millions)</i>				(unaudited)
Within one year	152.7	59.9	102.1	140.1	168.2
One year to two years	22.2	22.2	22.5	7.5	7.5
Two years to five years	22.2	—	—	—	—
Total	197.1	82.1	124.6	147.6	175.7

For more information regarding the specific terms of our borrowings such as interest rates, see notes 26, 31 and 32 in section A to the accountants' report set forth in Appendix I to this Prospectus.

As at 31 October 2015, we had total banking facilities of approximately HK\$2,345.1 million, of which approximately HK\$1,400.2 million were utilised. As at 31 October 2015, the undrawn amount of loans from third-party financial institutions was approximately HK\$608.1 million.

As at 31 October 2015, being the latest practicable date for the purpose of this statement prior to the printing of this Prospectus, we had total unsecured and guaranteed bank borrowings of approximately HK\$175.7 million.

As at 31 October 2015, being the latest practicable date for the purpose of this statement prior to the printing of this Prospectus, we had outstanding performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to HK\$1,197.3 million.

Our Directors confirm that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, guarantees or other contingent liabilities as at 31 October 2015, being our indebtedness statement date. Our Directors confirm that there is no material change in our indebtedness position since 31 October 2015.

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Working Capital

Our Group has financed our operations and growth mainly through a combination of cash from operations and external borrowings and we applied our cash mainly to finance our operations and capital expenditures and to repay our borrowings. As at 31 October 2015, save as disclosed in “Future Plans and Use of Proceeds” in this Prospectus, our Directors are not aware any material change to the sources of cash of our Group and the use of cash by our Group.

Prior to the Listing, we funded our operations principally from the revenue derive from contract works and through bank borrowings. Our principal liquidity and capital requirements were mainly related to the following:

- costs and expenses related to the operation of our business and procurement of materials and raw materials;
- payment of dividends to our Shareholders; and
- capital expenditures for the purchase of equipment.

After the Listing, we expect to meet our liquidity needs from cash generated from our operations, and debt and equity financings, including the proceeds of the Global Offering.

Capital Expenditure

During the Track Record Period, we incurred capital expenditure primarily for the purchase of fixed assets. Our capital expenditures were approximately HK\$12.5 million, HK\$7.8 million, HK\$9.2 million and HK\$4.6 million for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015, respectively.

We anticipate that the funds needed to finance the capital expenditures will be financed by cash generated from our operations and bank borrowings, as well as net proceeds from the Global Offering. If necessary, we may raise additional funds on terms that are acceptable to us.

Our estimated capital expenditures for the years ending 31 December 2015 and 2016 are HK\$6.0 million and HK\$8.7 million, respectively. We do not expect any material capital expenditures for the year ending 31 December 2017. Our current plan with respect to future capital expenditures may be subject to change based on the implementation of our business plan, including potential acquisitions, the progress of our fitting-out works and alteration and addition and construction works, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in Hong Kong, Macau and other jurisdiction(s) in which we operate.

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COMMITMENTS

Operating lease commitments — Group as lessee

At the end of each reporting period, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December			As at
	2012	2013	2014	31 August
	<i>(HK\$ in millions)</i>			2015
Within one year	14.2	13.7	16.4	11.1
In the second to fifth year inclusive	9.7	23.8	11.9	7.0
	<u>23.9</u>	<u>37.5</u>	<u>28.3</u>	<u>18.1</u>

Our lease properties in Hong Kong, Macau and the PRC are primarily used for office purpose except for our manufacturing site in Dongguan, the PRC. Leases for rented premises are negotiated for a period of one to seven years with fixed rental.

Contingent liabilities

Our Directors confirm that there were no material contingent liabilities as at 31 October 2015. We are currently not involved in any other material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us.

Disclaimers

Save as disclosed in “Financial information — Net current assets — Indebtedness” and “Financial information — Net current assets — Contingent liabilities”, and apart from intra-group liabilities, we did not have, at the close of business on 31 October 2015, any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has been no material change in indebtedness, commitments and contingent liabilities of our Group since 31 October 2015.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We during our conduct of business are exposed to various types of market risks including currency risk, interest rate risk, price risk, credit risk and liquidity risk.

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Currency risk

Members of our Group collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Directors consider that our Group's exposure to foreign currency exchange risk is insignificant as the majority of our Group's transactions are denominated in the functional currency of each individual group entity.

Our Group currently does not have a foreign currency hedging policy. However, the management of our Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Our Group's interest rate risk arises from variable-rate pledged bank deposits, bank balances and bank borrowings. Our Group does not have an interest rate hedging policy. However, the management of our Company monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Other price risk

Our Group's available-for-sale investment was measured at fair value as at 31 August 2015. Therefore, our Group was exposed to equity price risk before the investment was disposed of. The management closely monitors the performance of our Group's investments and would consider risk management actions should the need arise.

Credit risk

Our Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade receivable and other receivables at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that our Group's credit risk is significantly reduced. Most of the customers and trade receivables of our Group are located in Hong Kong and Macau. Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Our Group's bank balances are deposited with banks with high credit-ratings, so our Group has limited credit risk on liquid funds.

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Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management of our Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Our Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2012, 2013 and 2014 and 31 August 2015, our Group has available unutilised short-term bank loan facilities of approximately HK\$276.1 million, HK\$773.0 million, HK\$1,021.2 million and HK\$574.3 million, respectively.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES INCURRED AND TO BE INCURRED

All incremental costs that are directly attributable to the issue of new shares are directly deducted from equity while any expenses attributable to listing of existing shares are charged to profit and loss in which the expenses are incurred. Assuming an Offer Price of HK\$1.38 per Offer Share (being the mid-point of the indicative offer price range stated in this Prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$63.6 million, of which HK\$29.4 million are expected to be charged to profit or loss for the year ending 31 December 2015 and the balance of HK\$34.2 million to be capitalised. We did not recognise any listing expenses during the Track Record Period.

DIVIDEND POLICY

We declared dividends of HK\$56.0 million and HK\$20.0 million for the years ended 31 December 2012 and 2013, respectively, and did not declare any dividend for the year ended 31 December 2014. In addition, we declared dividends of HK\$450.0 million for the eight months ended 31 August 2015. All of our dividends declared during the Track Record Period had been fully paid up to the Latest Practicable Date. Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Our Directors consider that dividends to be declared and paid in future by our Group will depend on a number of factors. At present, our Directors intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders approximately 40% of our profits available for distribution for the financial years subsequent to the Listing. Such declarations of dividends, however, will only be recommended by our Directors after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the BVI Companies Act, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year subsequent to the Listing.

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RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in note 42 of section A of the accountant's report in Appendix I to this Prospectus, our Directors confirm that these transactions were conducted on an arm's length basis, normal commercial terms and/or terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

DISTRIBUTABLE RESERVES

As at 31 October 2015, our reserve available for distribution to our owners amounted to HK\$73.3 million, representing the aggregate amount of our share premium, other reserves and retained profits. Under the BVI Companies Act, any distribution of our Company can only be made subject to solvency tests being complied with.

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UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as at 31 August 2015 or any future date. It is prepared based on our audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 31 August 2015 as set forth in the Accountants' Report of our Group in Appendix I to this Prospectus, and adjusted as described below. Our unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report in Appendix I to this Prospectus.

	Audited consolidated net tangible assets of our Group as at 31 August 2015⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering⁽²⁾ HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share⁽³⁾ HK\$
Based on a minimum Offer Price of HK\$1.30 per Offer Share	656,878	588,047	1,244,925	0.62
Based on a maximum Offer Price of HK\$1.45 per Offer Share	656,878	660,041	1,316,919	0.66

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 31 August 2015 are based on audited consolidated net assets of our Group attributable to the owners of our Company as at 31 August 2015 of HK\$658,688,000 as set out in Appendix I to this Prospectus after deducting goodwill of HK\$1,510,000 and other intangible assets of HK\$300,000.
- (2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued at a minimum Offer Price of HK\$1.30 or a maximum Offer Price of HK\$1.45 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by our Group subsequent to 31 August 2015 and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to our Company's general mandate.

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- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is arrived on the basis of 2,000,000,000 Shares in issue, assuming that 1,999,994,900 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 31 August 2015. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 August 2015.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Prospectus, there had been no material adverse change in our financial or trading position since 31 August 2015, the end of period reported in the accountants' report set out in Appendix I to this Prospectus, and there had been no event since 31 August 2015 which would materially affect the information shown in the accountants' report set out in Appendix I to this Prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Business Strategies”.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds from the Global Offering that we will receive after deduction of underwriting fees and commissions, fees and anticipated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised (HK\$ million)	Assuming the Over-allotment Option is exercised in full (HK\$ million)
Assuming an Offer Price of HK\$1.45 per Offer Share (being the high end of the Offer Price range stated in this Prospectus)	660.0	763.4
Assuming an Offer Price of HK\$1.38 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus)	626.4	725.8
Assuming an Offer Price of HK\$1.30 per Offer Share (being the low end of the Offer Price range stated in this Prospectus)	588.0	681.6

We currently intend to apply the net proceeds from the Global Offering of approximately HK\$626.4 million for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.38 per Offer Share, being the mid-point of the Offer Price range stated in this Prospectus:

- approximately HK\$306.9 million or approximately 49% of the net proceeds to expand our fitting-out projects in Hong Kong, which will include payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs. As at the Latest Practicable Date, there were 15 pending tenders for fitting-out projects in Hong Kong having been submitted by us;
- approximately HK\$181.7 million or approximately 29% of the net proceeds to expand our alteration and addition and construction business in Hong Kong, which will include procurement of equipment and payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs. As at the Latest Practicable Date, there were 16 pending tenders for alteration and addition and construction projects in Hong Kong having been submitted by us; and

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$62.6 million or approximately 10% of the net proceeds to expand our fitting-out projects in Macau, which will include payment of start-up costs for new projects such as prepayment of subcontracting fees and material costs. As at the Latest Practicable Date, there were four pending tenders for fitting-out projects in Macau having been submitted by us;
- approximately HK\$12.5 million or approximately 2% of the net proceeds to hire additional staff for our business expansion;
- approximately HK\$6.3 million or approximately 1% of the net proceeds to finance the procurement of upgraded equipment and machinery for Dongguan Sundart and strengthen our research and development capabilities in re-engineering and pre-fabrication; and
- approximately HK\$56.4 million or approximately 9% of the net proceeds will be used as general working capital of our Group.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this Prospectus.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds from the Global Offering to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we intend to deposit the net proceeds from the Global Offering into short-term demand deposits, interest-bearing bank accounts with licensed banks or financial institutions as permitted by the relevant laws and regulations.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We and the Sole Global Coordinator have entered into cornerstone investment agreements with the following cornerstone investors (the “**Cornerstone Investors**”), who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 2,000 Offer Shares) that may be purchased with an aggregate amount of approximately HK\$323 million (the “**Cornerstone Placing**”) at the Offer Price. Assuming (1) an Offer Price of HK\$1.45 (being the high end of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 222,754,000 Shares, representing approximately 44.55% of the Offer Shares initially available under the Global Offering and approximately 11.14% of the Shares in issue upon completion of the Global Offering; (2) an Offer Price of HK\$1.38 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 234,054,000 Shares, representing approximately 46.81% of the Offer Shares initially available under the Global Offering and approximately 11.70% of the Shares in issue upon completion of the Global Offering; (3) an Offer Price of HK\$1.30 (being the low end of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 248,458,000 Shares, representing approximately 49.69% of the Offer Shares initially available under the Global Offering and approximately 12.42% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme.

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investors will not subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this Prospectus.

To the best knowledge and belief of our Directors, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party is not our connected person and is not an existing shareholder or a close associate of our Group. No special rights have been granted to any Cornerstone Investors as part of the Cornerstone Placing.

Details of the allocation to the Cornerstone Investors will be disclosed in the announcement of the results of allocation in the Hong Kong Public Offering to be published on or around Monday, 28 December 2015.

CORNERSTONE INVESTORS

We set forth below a brief description of our Cornerstone Investors.

CORNERSTONE INVESTORS

Beijing Hualian Department Store Co., Ltd. (北京華聯商厦股份有限公司) (“Beijing Hualian”)

Beijing Hualian has conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) such number of Shares equal to (1) HK\$100 million divided by (2) the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares (excluding the relevant brokerages and levies which Beijing Hualian will pay in respect of such Shares), at the Offer Price and as part of the International Placing.

Assuming (1) an Offer Price of HK\$1.45, being the high end of the Offer Price range set out in this Prospectus, the total number of Shares that Beijing Hualian would subscribe for would be 68,964,000 Shares, representing approximately 13.79% of the Offer Shares initially available under the Global Offering and approximately 3.45% of the Shares in issue immediately following the completion of the Global Offering; (2) an Offer Price of HK\$1.38, being the mid-point of the Offer Price range set out in this Prospectus, the total number of Shares that Beijing Hualian would subscribe for would be 72,462,000 Shares, representing approximately 14.49% of the Offer Shares initially available under the Global Offering and approximately 3.62% of the Shares in issue immediately following the completion of the Global Offering; (3) an Offer Price of HK\$1.30, being the low end of the Offer Price range set out in this Prospectus, the total number of Shares that Beijing Hualian would subscribe for would be 76,922,000 Shares, representing approximately 15.38% of the Offer Shares initially available under the Global Offering and approximately 3.85% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme.

Beijing Hualian is a joint stock limited liability company established in PRC on 29 May 1998, the shares of which have been listed on the Shenzhen Stock Exchange (Stock Code: 000882) since June 1998. Beijing Hualian is principally engaged in the operation and management of shopping centres in the PRC. As at the Latest Practicable Date, Beijing Hualian Group Investment Holding Co., Ltd. (北京華聯集團投資控股有限公司) (which is ultimately controlled by Culture Communication Improvement Committee of Hainan Province (海南省文化交流促進會), an organisation under the administration of the Department of Culture, Radio, Television, Publication and Sports of Hainan Province (海南省文化廣電出版體育廳)) and Beijing Zhongshang Huatong Technology and Trading Co., Ltd. (北京中商華通科貿有限公司) were the two largest shareholders of Beijing Hualian, holding approximately 29.58% shares and approximately 4.89% shares in Beijing Hualian, respectively.

Infinitus Limited (“Infinitus”)

Infinitus has conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) such number of Shares equal to (1) HK\$123 million divided by (2) the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares (excluding the relevant brokerages and levies which Infinitus will pay in respect of the such Shares), at the Offer Price and as part of the International Placing.

Assuming (1) an Offer Price of HK\$1.45, being the high end of the Offer Price range set out in this Prospectus, the total number of Shares that Infinitus would subscribe for would be 84,826,000 Shares, representing approximately 16.97% of the Offer Shares initially available under the Global Offering and approximately 4.24% of the Shares in issue immediately following the completion of the Global Offering; (2) an Offer Price of HK\$1.38, being the mid-point of the Offer Price range set out

CORNERSTONE INVESTORS

in this Prospectus, the total number of Shares that Infinitus would subscribe for would be 89,130,000 Shares, representing approximately 17.83% of the Offer Shares initially available under the Global Offering and approximately 4.46% of the Shares in issue immediately following the completion of the Global Offering; (3) an Offer Price of HK\$1.30, being the low end of the Offer Price range set out in this Prospectus, the total number of Shares that Infinitus would subscribe for would be 94,614,000 Shares, representing approximately 18.92% of the Offer Shares initially available under the Global Offering and approximately 4.73% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme.

Infinitus is a limited liability company incorporated in the Cayman Islands on 9 July 2015. Infinitus is principally engaged in the investment business with a focus on primary and secondary equity and debt markets. As at the Latest Practicable Date, Infinitus was wholly and beneficially owned by Mr. ZHANG Guichun. Mr. ZHANG Guichun is a businessman.

China Deyuan Capital Limited (“China Deyuan”)

China Deyuan has conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) such number of Shares equal to (1) HK\$100 million divided by (2) the Offer Price, rounded down to the nearest whole board lot of 2,000 Shares (excluding the relevant brokerages and levies which China Deyuan will pay in respect of the such Shares), at the Offer Price and as part of the International Placing.

Assuming (1) an Offer Price of HK\$1.45, being the high end of the Offer Price range set out in this Prospectus, the total number of Shares that China Deyuan would subscribe for would be 68,964,000 Shares, representing approximately 13.79% of the Offer Shares initially available under the Global Offering and approximately 3.45% of the Shares in issue immediately following the completion of the Global Offering; (2) an Offer Price of HK\$1.38, being the mid-point of the Offer Price range set out in this Prospectus, the total number of Shares that China Deyuan would subscribe for would be 72,462,000 Shares, representing approximately 14.49% of the Offer Shares initially available under the Global Offering and approximately 3.62% of the Shares in issue immediately following the completion of the Global Offering; (3) an Offer Price of HK\$1.30, being the low end of the Offer Price range set out in this Prospectus, the total number of Shares that China Deyuan would subscribe for would be 76,922,000 Shares, representing approximately 15.38% of the Offer Shares initially available under the Global Offering and approximately 3.85% of the Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme.

China Deyuan is a limited liability company incorporated in the BVI on 19 June 2012. China Deyuan is an investment holding company wholly, beneficially and ultimately held by Mr. ZHU Xinli as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. ZHU Xinli was an executive director of China Huiyuan Juice Group Limited (a company listed on the Stock Exchange, stock code: 1886) (“**China Huiyuan**”, together with its subsidiaries, “**Huiyuan Group**”), the chairman of the board of directors of China Huiyuan and the founder of Huiyuan Group.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Placing Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements;
- (b) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be offered by our Company to the relevant Cornerstone Investors under the relevant cornerstone investment agreements) as well as other applicable waivers and approvals and that such waiver, approval or permission not having been revoked prior to the commencement of dealings in the Shares;
- (c) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Placing or under the relevant cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (d) the respective representations, warranties, undertakings and acknowledgements given by the relevant Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no breach of the relevant cornerstone investment agreement on the part of the relevant investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed and undertaken that, without the prior written consent of our Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

Co-Managers

Ever-Long Securities Company Limited

Luk Fook Securities (HK) Limited

RHB Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to conditionally offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement, this Prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus by the Listing Committee and other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Placing Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) by notice in writing to our Company prior to 8:00 a.m. on the Listing Date if:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, epidemics, pandemics, outbreaks of diseases (including, without limitation, Severe Acute Respiratory Syndrome (SARS), Influenza A (H5N1) or swine or avian influenza (H7N9) or such related/mutated forms), fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, calamity, crisis, civil commotion, strikes, lock-outs, riot, public disorder, economic sanction, acts of government, declaration of a national or international emergency or war, outbreak or

UNDERWRITING

escalation of hostilities (whether or not war is declared), acts of war, acts of terrorism (whether or not responsibility has been claimed) or acts of God), severe or extended interruption in transportation, in or affecting Hong Kong, Singapore, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction in which any member of our Group conducts business (each a *Relevant Jurisdiction*); or

- (ii) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (iii) any change or development involving a prospective change, or any event or series of events likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency credit or market conditions (including, without limitation, any conditions affecting stock and bond markets, money and foreign exchange markets, investment markets and credit markets) in or affecting any Relevant Jurisdiction; or
- (iv) any moratorium, suspension or restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ National Markets, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or a devaluation of the HK\$ or the RMB against any foreign currencies; or
- (v) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of our Company or of any other members of our Group listed or quoted on a stock exchange or an over-the-counter market; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction imposed by any competent governmental authority or any material disruption in commercial banking, foreign exchange trading or securities settlement or clearance services in those places; or
- (vii) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (viii) (A) a change or development involving a prospective change in taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK\$ or the RMB against any foreign currencies, a change in the system under which the value of the HK\$ is linked to that of the US\$ or RMB is linked to any foreign currency or currencies), or (B) the implementation of any exchange control in any Relevant Jurisdiction, in each case, materially and adversely affecting an investment in the Shares; or

UNDERWRITING

- (ix) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplemental or amendment to this Prospectus, the Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC, in circumstances where the matter to be disclosed could, in the opinion of the Sole Global Coordinator, materially and adversely affect the marketing for or implementation of the Global Offering; or
- (x) any material adverse change or development involving a prospective material adverse change which has the effect of materialisation of any of the risks set out in “Risk Factors” in this Prospectus; or
- (xi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Group as a whole (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or
- (xii) any litigation or claim of any third party of material importance to our Group as a whole being threatened or instigated against any member of our Group which is not disclosed or referred to in the Prospectus; or
- (xiii) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) the Chairman or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be materially or adversely affected; or
- (xv) a material contravention by any member of our Group or Director of the Listing Rules or applicable laws; or
- (xvi) a prohibition on our Company for whatever reason from allotting, issuing or selling, as the case may be, any of the Offer Shares (including the Shares which may be issued upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xvii) a material non-compliance by our Company or any Director of, among other documents, this Prospectus, the Application Forms and any other documents approved by our Company and issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering (the “**Offering Documents**”) or any material aspect of the Global Offering with the Listing Rules or any other applicable laws; or

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- (xviii) any valid demand by creditors for repayment of any material indebtedness or an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution is passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or on, any Relevant Jurisdiction,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator:

- (i) is or will or is likely to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, or performance of our Company or our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such, or
 - (ii) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing, or
 - (iii) makes it or will make it or is likely to make it inadvisable or inexpedient or incapable or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms and the formal notice, or
 - (iv) has or will have or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable, inadvisable or impracticable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Global Coordinator after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in, among other documents, this Prospectus, the Application Forms, the application proof and the post hearing information pack of our Company (the "**Information Pack**") and/or any announcement or advertisement issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation expressed in, the

UNDERWRITING

Information Pack, this Prospectus, the Application Forms and/or any announcements or advertisements, communications or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was made, not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, in any material respect; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material misstatement in any of the Offering Documents or constitute a material omission therefrom; or
- (iii) any material breach of any of the obligations of the warrantors to the Hong Kong Underwriting Agreement or any of them under the Hong Kong Underwriting Agreement or the International Placing Agreement; or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of the warrantors to the Hong Kong Underwriting Agreement or any of them pursuant to the indemnity clause in the Hong Kong Underwriting Agreement if such liability has a material adverse effect on the business or financial or trading position of our Group as a whole; or
- (v) any breach of any of the warranties or undertakings of the Hong Kong Underwriting Agreement, or any of (or any event rendering any of) the warranties or undertakings of the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect or misleading in any material respect; or
- (vi) any litigation or dispute or potential litigation or dispute, which would materially affect the operation, financial condition, reputation or composition of the board of our Company and our Group; or
- (vii) that a significant portion of the orders in the bookbuilding process at the time when the International Placing Agreement is entered into has been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (viii) that a significant portion of the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors has been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (ix) that the grant or agreement to grant by the Listing Committee of the listing on the Main Board of, and permission to deal on the Main Board in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and Shares issuable upon exercise of options which may be granted under the Share Option Scheme) (the “**Admission**”) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

UNDERWRITING

- (x) that our Company withdraws this Prospectus (or any other documents used in connection with the contemplated offer of the Shares) or the Global Offering; or
- (xi) that any expert whose consent is required for the issue of this Prospectus with inclusion of its reports and/or letters (as the case may be) and references to its name in the form and context in which they appear has withdrawn its consent to the issue of this Prospectus.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this Prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Stock Borrowing Agreement, the Global Offering and the Over-allotment Option as described and contained in this Prospectus, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he/she is shown by this Prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

UNDERWRITING

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure that the subsidiaries of our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable) or deposit any shares or other securities of our Company, as applicable, with a depository in connection with the issue of depository receipts; or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or securities will be completed within such period), provided that the foregoing restrictions shall not apply to (i) the issue of Shares by our Company pursuant to the Reorganisation and the Global Offering (including pursuant to the Over-allotment Option) or (ii) the grant by our Company of any options, and the issue by our Company of Shares pursuant to the exercise of any options granted under the Share Option Scheme; or (iii) any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group. In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company. The Controlling Shareholders undertake to each of the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters to procure our Company to comply with the undertakings set out above.

By our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters that, save as pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) he/it will not and, will procure that none of its affiliates will, during the First Six-Month Period: (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities

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convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) he/it will not and, will procure that none of its affiliates will, during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of our Company;
- (c) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:
 - (i) if and when he/it pledges or charges any securities or interests in the securities of our Company beneficially owned by him/it, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and
 - (ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company agrees and undertakes that upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

UNDERWRITING

International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Placing Agreement with, inter alia, the International Underwriters. Under the International Placing Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the date of the International Placing Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 75,000,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, among other things, over-allocations (if any) in the International Placing.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross commission of 3.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering. Our Company may also in its sole discretion pay the Sole Sponsor an additional incentive fee of up to 1.0% of the aggregate proceeds from the offer of Shares offered by us under the Global Offering.

The aggregate underwriting commissions payable to the Underwriters (inclusive of any discretionary incentive fees), together with listing fees, the SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$63.6 million (assuming an Offer Price of HK\$1.38, which is the mid-point of the indicative Offer Price range and that the Over-allotment Option is not exercised) in total and are payable by us.

Underwriters' Interest in Our Group

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

UNDERWRITING

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the “**Syndicate Members**”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilising period described in “Structure of the Global Offering — Stabilisation” in this Prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 50,000,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” of this section; and
- (b) the International Placing of an aggregate of 450,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) to selected professional and institutional investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25% of the total number of Shares of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total number of Shares immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 50,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of the total number of Shares of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” in this section.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (without taking into account any adjustment in the number of Offer

STRUCTURE OF THE GLOBAL OFFERING

Shares allocated between the Global Offering) will be divided equally into two pools (subject to adjustment of odd lot size): Pool A comprises 25,000,000 Hong Kong Offer Shares and Pool B comprises 25,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the total value of Pool B will fall into Pool B.

For the purpose of this paragraph only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or in both pools will be rejected. No application will be accepted from applicants for more than 25,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to the following adjustments:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 150,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 200,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be

STRUCTURE OF THE GLOBAL OFFERING

reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 250,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, based on the additional Offer Shares reallocated to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate. Conversely, the Sole Global Coordinator may at its sole discretion re-allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.45 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" of this section, is less than the maximum price of HK\$1.45 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares" in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 450,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the total number of Shares immediately after completion of the Global Offering,

STRUCTURE OF THE GLOBAL OFFERING

assuming the Over-allotment Option is not exercised. It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional and institutional investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation

The International Placing will include selective marketing of the International Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the International Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the section entitled “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering and pursuant to the International Placing Agreement, we expect to grant an Over-allotment Option to the International Underwriters.

Over-allotment Option

Pursuant to the Over-allotment Option, the Sole Global Coordinator (for itself and on behalf of the other International Underwriters) will have the right, exercisable at any time during the period from the date of this Prospectus to 5:00 p.m. on the Business Day immediately prior to the date of the announcement of the results of allocations and the basis of allocation of the Hong Kong Offer Shares, at its sole and absolute discretion, to require our Company to issue, at the Offer Price, up to an aggregate of 75,000,000 additional Shares, representing 15% of the initial Offer Shares to cover over-allocations in the International Placing, subject to the terms of the International Placing Agreement. The Sole Global Coordinator in its sole and absolute discretion may decide to whom and proportions in which the additional shares will be allotted. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.61% of the total number of Shares of our Company immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option.

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For the avoidance of doubt, the purpose of the Over-allotment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the International Placing. The Over-allotment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the International Placing which will only be satisfied by the exercise of the Over-allotment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Over-allotment Option has been exercised, and will confirm in the announcement that, if the Over-allotment Option is not exercised by then, the Over-allotment Option will lapse and cannot be exercised at any future date. The allotment results announcement will be published on the Stock Exchange website at (www.hkexnews.hk) and our Company's website at (www.sundart.com).

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about 17 December 2015, and in any event on or before 18 December 2015, by agreement between the Sole Lead Manager (for itself and on behalf of the other Underwriters), and our Company and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$1.45 per Offer Share and is expected to be not less than HK\$1.30 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Prospectus.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this Prospectus at any time on or prior to the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and Hong Kong Economic Journal (in Chinese), on the website of our Company (www.sundart.com) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the

STRUCTURE OF THE GLOBAL OFFERING

Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this Prospectus.

The net proceeds from the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$626.4 million, assuming an Offer Price per Offer Share of HK\$1.38 (being the mid-point of the stated indicative Offer Price range of HK\$1.30 to HK\$1.45 per Offer Share) or if the Over-allotment Option is exercised in full, approximately HK\$725.8 million, assuming an Offer Price per Offer Share of HK\$1.38 (being the mid-point of the stated indicative Offer Price range of HK\$1.30 to HK\$1.45 per Offer Share).

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on 28 December 2015 on the website of our Company (www.sundart.com) and the website of the Stock Exchange (www.hkexnews.hk).

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 75,000,000 Shares, representing 15% of the Offer Shares, from Reach Glory to cover over allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Reach Glory or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Reach Glory by the Stabilising Manager or its agent in relation to the Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, as stabilising manager on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 75,000,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilising actions permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares under the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (e) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applications for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on 15 January 2016, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE OF THE GLOBAL OFFERING

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids must be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules, as amended, will be made within seven days of the expiration of the stabilisation period.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Placing Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters expect to enter into the International Placing Agreement relating to the International Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in “Underwriting Agreements” of this Prospectus.

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to Capitalisation Issue and the exercise of the Over-allotment Option) (subject only to allotment);

STRUCTURE OF THE GLOBAL OFFERING

- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the International Placing Agreement on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), or the International Placing Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in *The Standard* (in English) and *Hong Kong Economic Journal* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on 28 December 2015 but will only become valid certificates of title at 8:00 a.m. on 29 December 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Underwriting Agreement — Grounds for termination” of this Prospectus has not been exercised.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 29 December 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 29 December 2015.

The Shares will be traded in board lots of 2,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply *online* via **White Form eIPO** at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company;
- a Director or chief executive officer of our Company;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, 11 December 2015 till 12:00 noon on Wednesday, 16 December 2015 from:

- (a) the following offices of the Hong Kong Underwriters:

Guotai Junan Securities
(Hong Kong) Limited

27th Floor,
Low Block,
Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

Ever-Long Securities Company Limited

18th Floor
Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Luk Fook Securities (HK) Limited
Units 502–6, 5/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

RHB Securities Hong Kong Limited
12th Floor
World-wide House
19 Des Voeux Road
Hong Kong

- (b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Standard Chartered Bank (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No. 6–12 Nam Ning Street, Aberdeen
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Metroplaza Branch	Shop No. 175–176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, 11 December 2015 till 12:00 noon on Wednesday, 16 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Sundart Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 11 December 2015	— 9:00 a.m. to 5:00 p.m.
Saturday, 12 December 2015	— 9:00 a.m. to 1:00 p.m.
Monday, 14 December 2015	— 9:00 a.m. to 5:00 p.m.
Tuesday, 15 December 2015	— 9:00 a.m. to 5:00 p.m.
Wednesday, 16 December 2015	— 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 16 December 2015, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in "Personal Collection" section in this Prospectus to collect share certificate(s) and/or refund cheque(s).
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii)(if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply” may apply through **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the White Form eIPO Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 11 December 2015 until 11:30 a.m. on Wednesday, 16 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 16 December 2015 or such later time in “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Sundart Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - **undertake and confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **confirm** that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- **agree** that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous

HOW TO APPLY FOR HONG KONG OFFER SHARES

Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- **agrees** with our Company, for itself and for the benefit of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of our Company and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):
 - (i) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (ii) that any award made in such arbitration shall be final and conclusive; and
 - (iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **agrees** with our Company (for our Company itself and for the benefit of each Shareholder of our Company) that Shares in our Company are freely transferable by their holders; and
- **authorises** our Company to enter into a contract on its behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of our Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 11 December 2015	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 12 December 2015	—	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 14 December 2015	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 15 December 2015	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 16 December 2015	—	8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 11 December 2015 until 12:00 noon on Wednesday, 16 December 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 16 December 2015, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, Bookrunner and Lead Manager, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 16 December 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“*Unlisted company*” means a company with no equity securities listed on the Stock Exchange.

“*Statutory control*” means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued Shares of our company (*not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital*).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 December 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 16 December 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 28 December 2015 on our Company's websites at www.sundart.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's websites at www.sundart.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 28 December 2015;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 28 December 2015 to 12:00 midnight on Sunday, 3 January 2016;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Monday, 28 December 2015 to Thursday, 31 December 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 28 December 2015 to Wednesday, 30 December 2015 at all the receiving bank designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Hong Kong Public Offering are satisfied and the Hong Kong Public Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose

HOW TO APPLY FOR HONG KONG OFFER SHARES

any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the White Form eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

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- your **electronic application instructions** through **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.45 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 28 December 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, 28 December 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 29 December 2015 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 December 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 28 December 2015, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 28 December 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 28 December 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

For Hong Kong Public Offering shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results". You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 December 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If you apply through White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 28 December 2015, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 28 December 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 28 December 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" on Monday, 28 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 28 December 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 28 December 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of

HOW TO APPLY FOR HONG KONG OFFER SHARES

refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 28 December 2015.

15. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

11 December 2015

The Directors
SUNDART HOLDINGS LIMITED
承達集團有限公司
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to SUNDART HOLDINGS LIMITED 承達集團有限公司 (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2014 and the eight months period ended 31 August 2015 (the “Track Record Period”), for inclusion in the prospectus dated 11 December 2015 issued by the Company (the “Prospectus”) in connection with the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the British Virgin Islands (the “BVI”) on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291), and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act.

The direct and indirect equity interests in the following subsidiaries held by the Company at the end of each reporting period and at the date of this report are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital/quota capital	Equity interest attributable to the Group				Date of this report	Principal activities
			At 31 December		At 31 August			
			2012	2013	2014	2015		
<i>Direct subsidiaries:</i>								
Sundart Investments Limited	Hong Kong 7 April 2005	HK\$1,000	100%	100%	100%	100%	100%	Investment holding
GLORY SPRING INVESTMENTS LIMITED	BVI 28 May 2010	USD1	100%	100%	100%	100%	100%	Investment holding
Sundart Products Limited (“Sundart Products”)	BVI 11 November 2008	USD1	100%	100%	100%	100%	100%	Investment holding and leasing of intellectual properties in Hong Kong
GLORYEILD ENTERPRISES LIMITED	BVI 2 January 2014	USD1	-	-	100%	100%	100%	Investment holding

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital/ quota capital	Equity interest attributable to the Group				Date of this report	Principal activities
			At 31 December		At 31 August			
			2012	2013	2014	2015		
<i>Indirect subsidiaries:</i>								
Sundart Timber Products Company Limited ("Sundart Timber")	Hong Kong 10 January 1995	HK\$46,510,000	100%	100%	100%	100%	100%	Investment holding and interior fitting-out works in Hong Kong
Sundart Engineering Services (Macau) Limited ("Sundart Macau")	Macau 18 March 2005	MOP100,000	100%	100%	100%	100%	100%	Interior fitting-out works in Macau
Elite Base Engineering Limited	Hong Kong 10 June 2011	HK\$1	100%	100%	100%	100%	100%	Interior fitting-out works in Hong Kong
Grace United Development Limited	Hong Kong 15 February 2012	HK\$1	100%	100%	100%	100%	100%	Interior fitting-out works
Sundart Engineering & Contracting (Beijing) Limited 北京承達創建裝飾工程有限公司 ("Sundart Beijing") (Note 1)	The People's Republic of China (The "PRC") 19 September 2003	HK\$136,700,000	75%	75%	75%	–	–	Interior fitting-out works in the PRC
大連承達創建裝飾工程有限公司 ("Dalian Sundart") (Note 1)	The PRC 30 July 2012	RMB1,000,000	75%	75%	75%	–	–	Interior fitting-out works in the PRC
Kin Shing (Leung's) General Contractors Limited ("Kin Shing")	Hong Kong 21 July 1994	HK\$17,800,000	100%	100%	100%	100%	100%	Construction and civil engineering works in Hong Kong
Sundart Project Management & Consultancy Limited	Hong Kong 5 July 2013	HK\$1	–	100%	100%	100%	100%	Project management and consultancy services
Sundart Living Limited ("Sundart Living")	Hong Kong 11 August 1994	HK\$100	100%	100%	100%	100%	100%	Investment holding
Dongguan Sundart Home Furnishing Co., Ltd. 東莞承達家居有限公司 ("Dongguan Sundart") (Note 3)	The PRC 23 September 1992	HK\$41,000,000	100%	100%	100%	100%	100%	Manufacturing and distribution of interior decorative materials in the PRC
Sundart International Supply Limited	Hong Kong 4 November 2002	HK\$10,000	100%	100%	100%	100%	100%	Sourcing and distribution of interior decorative materials

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital/quota capital	Equity interest attributable to the Group				Date of this report	Principal activities
			At 31 December		At 31 August			
			2012	2013	2014	2015		
Sundart International Supply (Macau) Limited	Macau 30 September 2010	MOP25,000	100%	100%	100%	100%	100%	Sourcing and distribution of interior decorative materials
Sundart Engineering (Far East) Limited	Hong Kong 27 December 2013	HK\$1	–	100%	100%	100%	100%	Inactive
EASY GLORY HOLDINGS LIMITED	BVI 21 October 2014	USD1	–	–	100%	100%	100%	Investment holding
Elite Tech Holdings Limited (“Elite Tech”) (Note 2)	Hong Kong 25 March 2011	HK\$1	100%	100%	100%	–	–	Investment holding
Sundart Emirates Interior Contracting LLC (“Sundart Emirates”) (Note 2)	Abu Dhabi 18 May 2010	AED150,000	100%	100%	100%	–	–	Inactive

Notes:

1. These companies ceased to be subsidiaries of the Company with effective from 24 April 2015.
2. These companies ceased to be subsidiaries of the Company with effective from 29 June 2015.
3. This company was formerly known as Dongguan Sundart Timber Products Co., Ltd. 東莞承達木材制品有限公司.

All the companies comprising the Group have adopted 31 December as their financial year end date for the years ended 31 December 2013 and 2014. During the year ended 31 December 2012, all companies comprising the Group previously adopted 31 March as their financial year end date have been changed to 31 December.

No statutory audited financial statements have been prepared for the companies incorporated in Abu Dhabi, BVI and Macau as there is no statutory requirement in these jurisdictions for audited financial statements to be prepared.

The statutory financial statements of the companies incorporated in Hong Kong for the year ended 31 March 2012, the period from 1 April 2012 to 31 December 2012 and each of the two years ended 31 December 2013 and 2014 or since their respective dates of incorporation, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by us, except for the financial statements of Kin Shing for the year ended 31 March 2012 which were audited by K.B. Tam & Co. Certified Public Accountants.

The statutory financial statements of the following entities were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants:

Name	Financial year	Name of auditor
Dalian Sundart	For the period from 30 July 2012 to 31 December 2012 and the year ended 31 December 2013	北京文信會計師事務所 有限責任公司
	For the year ended 31 December 2014	北京東易君安會計師事務所 有限公司
Sundart Beijing	For each of the years ended 31 December 2012 and 2013	北京文信會計師事務所 有限責任公司
	For the year ended 31 December 2014	北京東易君安會計師事務所 有限公司
Dongguan Sundart	For each of the years ended 31 December 2012, 2013 and 2014	東莞市大正會計師事務所

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period (the “Underlying Financial Statements”), in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with HKSAs issued by the HKICPA and also examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for the inclusion in the Prospectus.

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

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group and the Company as at 31 December 2012, 2013, 2014 and 31 August 2015 and of the financial performance and cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the eight months ended 31 August 2014 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "31 August 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the 31 August 2014 Financial Information in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA's 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 31 August 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Eight months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Continuing operations						
Revenue	7	1,752,994	1,632,286	2,336,708	1,022,525	2,701,246
Cost of sales		(1,532,524)	(1,390,439)	(2,048,629)	(885,627)	(2,322,425)
Gross profit		220,470	241,847	288,079	136,898	378,821
Other income, other gains and losses	9	4,751	3,352	3,119	1,700	(7,699)
Gain (loss) on disposal of subsidiaries	36(a),(c)	310	–	–	–	(11)
Loss on disposal of an associate	23	–	–	–	–	(766)
Selling expenses		(11,641)	(4,436)	(5,740)	(3,819)	(4,892)
Administrative expenses		(86,274)	(85,387)	(94,944)	(59,415)	(60,543)
Other service costs	37	(933)	–	–	–	–
Other expenses		(629)	(663)	(1,008)	(864)	(554)
Share of profits of associates		–	–	17,155	10,806	2,480
Finance costs	10	(2,641)	(1,823)	(871)	(331)	(2,140)
Profit before taxation		123,413	152,890	205,790	84,975	304,696
Income tax expense	11	(16,168)	(26,385)	(30,350)	(14,206)	(41,664)
Profit for the year/ period from continuing operations	12	107,245	126,505	175,440	70,769	263,032
Discontinued operations						
Profit for the year/period from discontinued operations	13	2,557	22,361	3,254	4,335	9,372
Profit for the year/period		109,802	148,866	178,694	75,104	272,404

	Notes	Year ended 31 December			Eight months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Other comprehensive (expense) income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Release of investment revaluation reserve upon disposal of available-for-sale investment		(3,151)	–	–	–	–
Fair value change on available-for-sale investment		–	–	–	–	38,076
Release of translation reserve upon disposal of subsidiaries	36(a), (b)(ii),(c)	(310)	–	–	–	(12,248)
Exchange difference arising on translation of foreign operations		102	6,013	(1,095)	(2,466)	(1,490)
Other comprehensive (expense) income for the year/period		(3,359)	6,013	(1,095)	(2,466)	24,338
Total comprehensive income for the year/period		<u>106,443</u>	<u>154,879</u>	<u>177,599</u>	<u>72,638</u>	<u>296,742</u>
Profit (loss) for the year/period attributable to:						
Owners of the Company		110,067	143,276	177,880	74,020	272,683
Non-controlling interests		(265)	5,590	814	1,084	(279)
		<u>109,802</u>	<u>148,866</u>	<u>178,694</u>	<u>75,104</u>	<u>272,404</u>

	<i>Notes</i>	Year ended 31 December			Eight months ended 31 August	
		2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
Total comprehensive income (expense) for the year/period attributable to:						
Owners of the Company		106,628	148,236	176,389	71,511	297,018
Non-controlling interests		(185)	6,643	1,210	1,127	(276)
		<u>106,443</u>	<u>154,879</u>	<u>177,599</u>	<u>72,638</u>	<u>296,742</u>
Earnings per share	<i>16</i>					
From continuing and discontinued operations						
Basic (HK cents)		<u>7.34</u>	<u>9.55</u>	<u>11.86</u>	<u>4.93</u>	<u>18.18</u>
From continuing operations						
Basic (HK cents)		<u>7.15</u>	<u>8.43</u>	<u>11.70</u>	<u>4.72</u>	<u>17.54</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At
	Notes	2012	2013	2014	31 August
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
Non-current assets					
Property, plant and equipment	18	31,090	30,482	30,186	18,167
Investment property	19	7,399	8,394	8,366	–
Goodwill	20	1,510	1,510	1,510	1,510
Other intangible assets	21	12,010	6,792	2,754	300
Available-for-sale investment	22	–	–	–	142,402
Interests in associates	23	–	–	66,656	101,946
		<u>52,009</u>	<u>47,178</u>	<u>109,472</u>	<u>264,325</u>
Current assets					
Inventories	24	67,045	42,671	60,332	41,023
Amount due from an associate	23	–	–	142	–
Amounts due from related companies	25	17,782	11,467	19	–
Amount due from a fellow subsidiary	26	–	6,084	8,395	6,313
Amount due from an intermediate holding company	26	–	–	–	43,431
Trade and other receivables	27	332,918	731,835	826,165	510,807
Bills receivable	27	668	11,409	697	–
Amounts due from customers for contract work	28	607,345	535,319	879,076	670,138
Retentions receivable	27	169,840	209,730	327,803	326,879
Tax recoverable		569	330	6,747	5,382
Dividend receivable from an associate		–	–	–	5,320
Pledged bank deposits	29	5,767	8,449	32,648	–
Bank balances and cash	29	242,370	299,252	361,787	195,250
		<u>1,444,304</u>	<u>1,856,546</u>	<u>2,503,811</u>	<u>1,804,543</u>

		At 31 December			At
	Notes	2012	2013	2014	31 August
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
Current liabilities					
Trade and other payables	30	633,407	923,715	1,382,800	980,207
Bills payable	30	10,518	29,925	100,044	–
Amounts due to related companies	25	10,825	–	–	–
Amounts due to fellow subsidiaries	26	31,079	19,335	21,116	3,815
Amount due to ultimate holding company	26	24,854	31,485	31,380	–
Amounts due to customers for contract work	28	36,221	111,531	79,097	122,225
Amount due to a non-controlling shareholder	31	82,723	–	–	–
Dividend payable		–	20,000	–	95,500
Tax payable		13,654	18,305	21,685	60,851
Bank borrowings	32	69,993	54,033	96,319	147,582
		<u>913,274</u>	<u>1,208,329</u>	<u>1,732,441</u>	<u>1,410,180</u>
Net current assets		<u>531,030</u>	<u>648,217</u>	<u>771,370</u>	<u>394,363</u>
Total assets less current liabilities		<u>583,039</u>	<u>695,395</u>	<u>880,842</u>	<u>658,688</u>
Capital and reserves					
Share capital	34	40	40	40	40
Reserves		<u>507,005</u>	<u>635,241</u>	<u>811,630</u>	<u>658,648</u>
Equity attributable to owners of the Company		<u>507,045</u>	<u>635,281</u>	<u>811,670</u>	<u>658,688</u>
Non-controlling interests		<u>30,364</u>	<u>37,007</u>	<u>45,717</u>	<u>–</u>
Total equity		<u>537,409</u>	<u>672,288</u>	<u>857,387</u>	<u>658,688</u>
Non-current liabilities					
Bank borrowings	32	44,411	22,175	22,500	–
Deferred tax liabilities	33	<u>1,219</u>	<u>932</u>	<u>955</u>	<u>–</u>
		<u>45,630</u>	<u>23,107</u>	<u>23,455</u>	<u>–</u>
		<u>583,039</u>	<u>695,395</u>	<u>880,842</u>	<u>658,688</u>

COMPANY STATEMENTS OF FINANCIAL POSITION

		At 31 December			At
	Notes	2012	2013	2014	31 August
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
Non-current assets					
Investments in subsidiaries	17	161,180	181,218	256,869	397,103
Property, plant and equipment	18	1,773	1,403	1,094	806
		<u>162,953</u>	<u>182,621</u>	<u>257,963</u>	<u>397,909</u>
Current assets					
Other receivables, prepayments and deposits		908	1,771	1,763	19,729
Dividend receivable		–	–	–	40,000
Bank balances and cash	29	380	495	934	998
		<u>1,288</u>	<u>2,266</u>	<u>2,697</u>	<u>60,727</u>
Current liabilities					
Other payables		1,979	2,122	2,243	1,430
Dividend payable		–	20,000	–	95,500
Tax payable		403	272	176	1,286
Amount due to a related company	25	33	–	–	–
Amounts due to subsidiaries	26	91,621	90,335	174,176	287,214
		<u>94,036</u>	<u>112,729</u>	<u>176,595</u>	<u>385,430</u>
Net current liabilities		<u>(92,748)</u>	<u>(110,463)</u>	<u>(173,898)</u>	<u>(324,703)</u>
Total assets less current liabilities		<u>70,205</u>	<u>72,158</u>	<u>84,065</u>	<u>73,206</u>
Capital and reserves					
Share capital	34	40	40	40	40
Reserves	35	70,165	72,118	84,025	73,166
		<u>70,205</u>	<u>72,158</u>	<u>84,065</u>	<u>73,206</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Property Shareholders'		Translation reserve HK\$'000	Other reserves HK\$'000 (Note c)	Accumulated profits HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
						revaluation reserve HK\$'000	contribution reserve HK\$'000					
At 1 January 2012	40	34,700	60	690	3,151	1,241	6,615	13,011	70,213	329,612	7,890	467,223
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	22	-	-	80	102
Release of investment revaluation reserve upon disposal of available-for-sale investment	-	-	-	-	(3,151)	-	-	-	-	-	-	(3,151)
Release of translation reserve upon disposal of subsidiaries (Note 36(a))	-	-	-	-	-	-	-	(310)	-	-	-	(310)
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	110,067	(265)	109,802
Total comprehensive (expense) income for the year	-	-	-	-	(3,151)	-	-	(288)	-	110,067	(185)	106,443
Transfer to accumulated profits upon disposals of subsidiaries	-	-	-	-	-	-	-	-	(37,546)	37,546	-	-
Disposal of subsidiaries (Note 36(a))	-	-	-	-	-	-	-	-	-	-	(7,890)	(7,890)
Dividend paid (Note 14)	-	-	-	-	-	-	-	-	-	(56,000)	-	(56,000)
Recognition of other service costs (Note 37)	-	-	-	-	-	-	-	-	933	-	-	933
Deemed disposal of partial interest in a subsidiary (Note 36(b)(i))	-	-	-	-	-	-	-	-	(3,849)	-	30,549	26,700

Attributable to owners of the Company															
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Shareholders' contribution			Translation reserve HK\$'000	Other reserves HK\$'000 (Note c)	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
							revaluation reserve HK\$'000	contribution reserve HK\$'000	reserve HK\$'000						
At 31 December 2012	40	34,700	60	690	-	1,241	6,615	6,615	12,723	29,751	421,225	507,045	30,364	537,409	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	4,960	-	-	4,960	1,053	6,013	
Profit for the year	-	-	-	-	-	-	-	-	-	-	143,276	143,276	5,590	148,866	
Total comprehensive income for the year	-	-	-	-	-	-	-	-	4,960	-	143,276	148,236	6,643	154,879	
Transfer from accumulated profits to statutory reserve	-	-	-	2,256	-	-	-	-	-	-	(2,256)	-	-	-	
Dividend declared (Note 14)	-	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	-	(20,000)	
At 31 December 2013	40	34,700	60	2,946	-	1,241	6,615	6,615	17,683	29,751	542,245	635,281	37,007	672,288	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(1,491)	-	-	(1,491)	396	(1,095)	
Profit for the year	-	-	-	-	-	-	-	-	-	-	177,880	177,880	814	178,694	
Total comprehensive (expense) income for the year	-	-	-	-	-	-	-	-	(1,491)	-	177,880	176,389	1,210	177,599	
Capital injection	-	-	-	-	-	-	-	-	-	-	-	-	7,500	7,500	
Transfer from accumulated profits to statutory reserve	-	-	-	86	-	-	-	-	-	-	(86)	-	-	-	

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Shareholders' contribution reserve HK\$'000	Translation reserve HK\$'000	Other reserves HK\$'000 (Note c)	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 December 2014	40	34,700	60	3,032	-	1,241	6,615	16,192	29,751	720,039	811,670	45,717	857,387
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(1,493)	-	-	(1,493)	3	(1,490)
Fair value change on available-for-sale investment	-	-	-	-	38,076	-	-	-	-	-	38,076	-	38,076
Release of translation reserve upon disposal of subsidiaries (Note 36(b)(i), 36(c))	-	-	-	-	-	-	-	(12,248)	-	-	(12,248)	-	(12,248)
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	272,683	272,683	(279)	272,404
Total comprehensive income (expense) for the period	-	-	-	-	38,076	-	-	(13,741)	-	272,683	297,018	(276)	296,742
Release of reserves upon disposal of subsidiaries (Note 36(b)(ii))	-	-	-	(3,032)	-	(1,241)	-	-	-	4,273	-	-	-
Disposal of subsidiaries (Note 36(b)(iii))	-	-	-	-	-	-	-	-	-	-	-	(45,441)	(45,441)
Dividend declared (Note 14)	-	-	-	-	-	-	-	-	-	(450,000)	(450,000)	-	(450,000)
At 31 August 2015	40	34,700	60	-	38,076	-	6,615	2,451	29,751	546,995	658,688	-	658,688

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Legal reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Shareholders' contribution reserve HK\$'000	Translation reserve HK\$'000	Other reserves HK\$'000 (Note c)	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Unaudited													
At 1 January 2014	40	34,700	60	2,946	-	1,241	6,615	17,683	29,751	542,245	635,281	37,007	672,288
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(2,509)	-	-	(2,509)	43	(2,466)
Profit for the period	-	-	-	-	-	-	-	-	-	74,020	74,020	1,084	75,104
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(2,509)	-	74,020	71,511	1,127	72,638
At 31 August 2014 (unaudited)	40	34,700	60	2,946	-	1,241	6,615	15,174	29,751	616,265	706,792	38,134	744,926

Notes:

- (a) In accordance with the provisions of the Macau Commercial Code, the subsidiaries of the Company in Macau are required to transfer a minimum of 25% of their profit for the year to a legal reserve before appropriation of dividends until the legal reserve equals half of the quota capital of these subsidiaries. This reserve is not distributable to the shareholders.
- (b) As stipulated by the relevant laws and regulations in the PRC, the subsidiaries established in the PRC shall set aside 10% of their net profits based on statutory accounts prepared in accordance with the relevant regulations and accounting principles generally accepted in the PRC to the statutory reserve before the distribution of the net profit each year until the balance reaches 50% of its paid-in capital. The statutory reserve can only be used upon approval by the board of directors of the relevant subsidiary to offset accumulated losses or increase capital.
- (c) Other reserves as at 31 August 2015 included (i) a credit amount of HK\$33,600,000 of recognition of other service costs, which represented the difference between the fair value and consideration (represented by the net assets attributable to) of the acquisition of 10.2% interest in the Company by a director, details of the transaction are set out in note 37; and (ii) a debit amount of HK\$3,849,000 which represented the deficit of the consideration received and the 25% of net assets of Sundart Beijing in relation to the deemed disposal of the Group's 25% interest in Sundart Beijing to the Company's ultimate holding company, details of which are set out in note 36(b)(i).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Operating activities					
Profit before taxation from continuing operations	123,413	152,890	205,790	84,975	304,696
Profit before taxation from discontinued operations	2,144	24,857	4,617	6,623	9,378
Adjustments for:					
Depreciation of property, plant and equipment	9,167	9,045	9,090	6,094	4,840
Amortisation of other intangible assets	5,288	5,297	4,038	2,833	2,405
Gain on disposal of subsidiaries	(310)	–	–	–	(10,476)
Loss on disposal of an associate	–	–	–	–	766
Gain on disposal of available-for-sale investment	(3,088)	–	–	–	–
Loss (gain) on disposal of property, plant and equipment	192	240	209	204	(43)
Reversal of allowance for inventories	(1,693)	(213)	(86)	–	(175)
Write off of trade and other receivables	–	–	–	–	10,192
Gain on fair value change of investment property	(1,107)	(750)	–	–	–
Interest income	(987)	(732)	(1,487)	(821)	(713)
Other service costs	933	–	–	–	–
Interest expense	3,383	3,913	2,078	889	3,442
Share of profits of associates	–	–	(17,155)	(10,806)	(2,480)

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Operating cash flows before					
movements in working capital	137,335	194,547	207,094	89,991	321,832
(Increase) decrease in inventories	(31,967)	24,587	(17,575)	(14,225)	19,484
(Increase) decrease in amount due from an associate	-	-	(142)	(102)	142
(Increase) decrease in amounts due from related companies	(13,153)	4,836	11,448	5,753	-
(Increase) decrease in amount due from a fellow subsidiary	-	(6,084)	(2,311)	-	2,082
(Increase) decrease in trade and other receivables	(67,649)	(398,917)	(94,330)	(59,710)	3,168
Decrease (increase) in bills receivable	6,000	(10,741)	10,712	8,895	(1,458)
(Increase) decrease in amounts due from customers for contract work	(194,519)	72,026	(343,757)	(123,483)	(163,270)
Increase in retentions receivable	(33,736)	(39,890)	(118,073)	(20,750)	(92,952)
Increase (decrease) in trade and other payables	300,263	290,308	459,085	8,866	(148,518)
Increase in bills payable	10,518	19,407	70,119	41,891	65,899
Increase (decrease) in amounts due to related companies	10,825	(10,825)	-	-	-
Increase (decrease) in amounts due to fellow subsidiaries	31,079	(11,744)	1,781	1,879	(7,014)
Increase (decrease) in amount due to ultimate holding company	24,854	781	(105)	(372)	-
Increase (decrease) in amounts due to customers for contract work	17,040	75,310	(32,434)	(19,174)	99,526
Cash generated from (used in) operations	196,890	203,601	151,512	(80,541)	98,921
Interest paid	(3,383)	(3,913)	(2,078)	(889)	(3,442)
Income tax refunded	296	5,594	330	330	-
Income tax paid	(21,102)	(29,904)	(35,055)	(7,474)	(6,198)
Net cash from (used in) operating activities	172,701	175,378	114,709	(88,574)	89,281

	Note	Year ended 31 December			Eight months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Investing activities						
Purchase of property, plant and equipment		(12,471)	(7,755)	(9,161)	(7,039)	(4,601)
Purchase of other intangible assets		–	(79)	–	–	–
Purchase of available-for-sale investment		–	–	–	–	(104,326)
Advance to an associate		–	–	(60,000)	(60,000)	(40,000)
Proceeds from disposal of property, plant and equipment		207	6	57	57	177
Interest received		987	732	1,487	821	3,075
Proceeds from disposal of subsidiaries	36(a), (b)(ii)	34,498	–	–	–	96,028
Proceeds from disposal of available-for-sale investment		15,546	–	–	–	–
Proceeds from disposal of an associate		–	–	–	–	2,286
Repayment from an associate		–	–	–	–	38,032
Dividend received from an associate		–	–	10,000	–	2,000
Placement of pledged bank deposits		(5,766)	(35,277)	(84,477)	(58,785)	(32,682)
Release of pledged bank deposits		–	32,595	60,278	45,332	14,716
(Advance to) repayment from related companies		(1,479)	1,479	–	–	–
Repayment from a fellow subsidiary		184,888	–	–	–	–
Placement of fixed deposits with original maturity date more than three months		–	–	(39,961)	–	–
Net cash from (used in) investing activities		216,410	(8,299)	(121,777)	(79,614)	(25,295)

	Note	Year ended 31 December			Eight months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Financing activities						
New bank borrowings raised		141,563	194,086	284,482	140,234	316,865
Repayments of bank borrowings		(194,038)	(232,282)	(241,871)	(131,310)	(274,011)
Capital injection from non-controlling interest to a subsidiary	36(b)(i)	26,700	–	7,500	–	–
Dividend paid		(56,000)	–	(20,000)	(20,000)	(354,500)
(Repayment to) advance from ultimate holding company		(469,975)	5,850	–	–	31,061
Advance from a fellow subsidiary		–	–	–	–	50,709
Advance from (repayment to) a non-controlling shareholder		82,723	(82,723)	–	–	–
Net cash (used in) from financing activities		<u>(469,027)</u>	<u>(115,069)</u>	<u>30,111</u>	<u>(11,076)</u>	<u>(229,876)</u>
Net (decrease) increase in cash and cash equivalents		(79,916)	52,010	23,043	(179,264)	(165,890)
Cash and cash equivalents at the beginning of the year/period		322,162	242,370	299,252	299,252	321,826
Effect of foreign exchange rate changes		124	4,872	(469)	(1,893)	(647)
Cash and cash equivalents at the end of the year/period		<u>242,370</u>	<u>299,252</u>	<u>321,826</u>	<u>118,095</u>	<u>155,289</u>
Represented by:						
Bank balances and cash		242,370	299,252	361,787	142,480	195,250
Less: Fixed deposits with original maturity date more than three months		–	–	(39,961)	–	(39,961)
Bank overdrafts		–	–	–	(24,385)	–
		<u>242,370</u>	<u>299,252</u>	<u>321,826</u>	<u>118,095</u>	<u>155,289</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the BVI on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291), and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act. The Company is an investment holding company. The address of the registered office and principal place of business of the Company are Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, BVI, VG1110 and 25/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong respectively.

From 1 January 2012 to 26 June 2012, the immediate and ultimate holding company of the Company is Rykadan Capital Limited (formerly known as Sundart International Holdings Limited) ("Rykadan Capital"), a company incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability with its shares listed on the Stock Exchange. On 26 June 2012, Rykadan Capital disposed of 85% equity interest in the Company to Jangho Curtain Wall Hongkong Limited ("Jangho Hongkong"), a private limited liability company incorporated in Hong Kong. The immediate and ultimate holding company of Jangho Hongkong is Jangho Group Co., Ltd (formerly known as Beijing Jangho Curtain Wall Co., Ltd.) ("Jangho Co."). Jangho Co. is a joint stock company incorporated in the PRC listed on the Shanghai Stock Exchange. Thereafter, the immediate and ultimate holding company of the Company are Jangho Hongkong and Jangho Co. respectively. The Company's ultimate controlling party is Mr. Liu Zaiwang, the Chairman of Jangho Co.

On 2 December 2014, Jangho Hongkong acquired the remaining 15% equity interest in the Company from Rykadan Capital. With effective from that day, the Company is an indirectly wholly owned subsidiary of Jangho Co.

On 29 July 2015, REACH GLORY INTERNATIONAL LIMITED ("Reach Glory"), a private limited company incorporated in the BVI, a wholly-owned subsidiary of Jangho Hongkong, entered into a share swap agreement with Jangho Hongkong, pursuant to which Reach Glory acquired 100% interests in the Company from Jangho Hongkong. The transactions under such share swap agreement were completed on 29 July 2015. As a result, Reach Glory becomes the immediate holding company of the Company.

The Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations ("HK(IFRIC)") issued by the HKICPA which are effective for the Group's financial period beginning on 1 January 2015 throughout the Track Record Period.

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

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

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

² Effective for annual periods beginning on or after 1 January 2016

HKFRS 9 Financial Instruments

A final version of HKFRS 9 (that includes classification and measurement of financial assets and financial liabilities, impairment and general hedge accounting) was issued in 2014.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.
- An expected loss model (rather an incurred loss model) has been adopted by HKFRS 9.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group completes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued in 2014 which establishes a single model to deal with revenue arising from contracts with customers. When HKFRS 15 becomes effective, HKFRS 15 will supersede HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations.

HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when the entity satisfies a performance obligation

With regard to step 5, an entity should recognise 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. Specifically, HKFRS 15 requires entities to recognise revenue over time when certain conditions are met. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 15. For the moment, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

For other new and revised HKFRSs, the directors of the Company do not expect a material impact on the amounts reported and disclosures made in the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared on the historical cost basis except for investment property and available-for-sale investment, which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating unit ("CGU") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statements of financial position are stated at cost less any identified impairment loss.

The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the Track Record Period.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an interest in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Interests in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Interest in a joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operations, and gains and losses resulting from the transactions are recognised in the Financial Information only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowance.

Revenue from fixed price supply and installation contracts including fitting-out works, alteration and addition and construction works is recognised on the percentage of completion method, measured by reference to the value of work performed during the year/period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

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

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

Supply and installation contracts including fitting-out works, alteration and addition and construction works

Where the outcome of a supply and installation contract including fitting-out works, alteration and addition and construction works can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a supply and installation contract including fitting-out works, alteration and addition and construction works cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) and other defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

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

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

Financial assets

The Group's financial assets are mainly loans and receivables and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including amounts due from an associate, related companies and an intermediate holding company, trade and other receivables, bills receivable, retentions receivable, dividend receivable, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated or not classified as financial asset at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale investment is measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive dividends is established.

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

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

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables, bills payable, amounts due to related companies, fellow subsidiaries, ultimate holding company, a non-controlling shareholder and subsidiaries, dividend payable and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if designated as at fair value through profit or loss, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Equity-settled share-based payment transactions

Where a shareholder transferred the equity instruments of the Company to an employee in return for service provided to the Group, the transaction is accounted for as equity-settled share-based payment transaction of the Group. The fair value of services received is determined by reference to the difference between the fair value of the equity instruments and the consideration given by the employee to the shareholder, if any, on the transaction date. It is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

Property, plant and equipment

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost or deemed cost when it is transferred from owner-occupied property, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, 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 may 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.

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

Estimation uncertainty on supply and installation contracts including fitting-out works and alteration and addition and construction works

The Group's contract profit or loss arising from supply and installation contracts is estimated by reference to the latest available budgets of individual supply and installation contracts prepared by the management of the Group. The estimation of budget contract costs is based on management's best estimates and judgments. Contract costs include costs for interior decorative materials, labour costs and subcontracting fees. If the price of interior decorative materials or the wages of labour or the subcontracting fees varied significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

Estimated impairment of trade and other receivables and retentions receivable

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the carrying amount of trade receivables is HK\$158,021,000, HK\$388,397,000, HK\$410,968,000 and HK\$211,685,000, respectively, whereas trade receivables amounting to HK\$10,192,000 was written off during the eight months ended 31 August 2015.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the carrying amount of retentions receivable is HK\$169,840,000, HK\$209,730,000, HK\$327,803,000 and HK\$326,879,000 respectively.

Estimation uncertainty on the estimated useful lives of other intangible assets

Other intangible assets are amortised on a straight-line basis over the estimated useful lives of the relevant assets. The Group reviews the estimated useful lives of the other intangible assets annually in order to determine the amount of amortisation expenses to be recorded during the reporting period. The useful lives are estimated by the management according to their understanding and taking into account of similar assets in the market. The amortisation expenses for future periods will be adjusted if there are significant changes from previous estimates. As at 31 December 2012, 2013, 2014 and 31 August 2015, the carrying amount of other intangible assets is HK\$12,010,000, HK\$6,792,000, HK\$2,754,000 and HK\$300,000, respectively.

Allowance for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods and raw materials based primarily on the latest selling and purchase prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for slowing-moving inventory. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods and raw materials, additional allowances may be required.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the carrying amount of inventories is HK\$67,045,000, HK\$42,671,000, HK\$60,332,000 and HK\$41,023,000, respectively, whereas the reversal of allowance for inventories recognised during the years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August 2014 and 2015 is HK\$1,693,000, HK\$213,000, HK\$86,000, nil (unaudited) and HK\$175,000, respectively.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes amount due to a non-controlling shareholder and bank borrowings net of cash and cash equivalents and pledged bank deposits and equity attributable to the owners of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At
	2012	2013	2014	31 August
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
THE GROUP				
Financial assets				
Loans and receivables (including cash and cash equivalents)	634,745	999,361	1,196,144	810,593
Available-for-sale investment	–	–	–	142,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Amortised cost	719,905	706,328	1,080,812	834,220
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
THE COMPANY				
Financial assets				
Loans and receivables (including cash and cash equivalents)	1,172	1,949	2,459	42,528
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Financial liabilities				
Amortised cost	93,129	111,888	175,802	383,516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Financial risk management objectives and policies

The Group's and the Company's financial instruments include available-for-sale investment, amounts due from related companies, an associate and an intermediate holding company, trade and other receivables, bills receivable, retentions receivable, dividend receivable, pledged bank deposits, bank balances and cash, amounts due to related companies, fellow subsidiaries, a non-controlling shareholder, ultimate holding company and subsidiaries, trade and other payables, bills payable, dividend payable and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk**Currency risk*

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The directors of the Company consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets				Liabilities			
	At 31 December		At 31 August		At 31 December		At 31 August	
	2012	2013	2014	2015	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
HK\$ against Macau								
Pataca ("MOP")	2,390	67,624	172,842	155,150	6,709	2,548	81,847	65,381
United States Dollars								
("USD") against HK\$	4,336	1,102	381	87	447	558	392	392
USD against MOP	8	1	1,051	37	-	-	7,129	3,071
Renminbi ("RMB")								
against MOP and HK\$	6,301	2,213	3,205	3,204	2,295	1,934	1,871	1,871
British Pound Sterling								
("GBP") against HK\$	871	794	664	658	-	-	-	-
HK\$ against USD	742	132	74	56	577	744	320	344
RMB against USD	184	283	27	25	3,208	67	-	-
Euro against MOP and HK\$								
HK\$	37	86	20	2,218	-	-	-	3,719
Intra-group balances								
MOP and HK\$ against RMB								
RMB	6,283	-	8,248	21,227	46,388	60,496	73,150	41,321

THE COMPANY

All the Company's monetary assets and liabilities are denominated in HK\$.

Sensitivity analysis

As HK\$ is pegged to USD and the exchange rate of HK\$/MOP and USD/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK\$, USD/MOP, HK\$/USD and HK\$/MOP exchange rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK\$, USD/MOP, HK\$/USD and HK\$/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ and MOP and HK\$ against RMB. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the reporting period and held constant throughout each reporting period.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period includes only outstanding foreign currency denominated monetary items.

A positive number below indicates an increase in post-tax profit for the current year/period where a 5% strengthening of RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ or MOP and HK\$ against RMB. For a 5% weakening of RMB against MOP and HK\$, GBP against HK\$, RMB against USD, Euro against MOP and HK\$ or MOP and HK\$ against RMB, there would be an equal and opposite impact on the post-tax profit for the year/period as set out below:

	Increase (decrease) in post-tax profit			
	For the year ended 31 December			Eight months ended
	2012	2013	2014	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
RMB against MOP and HK\$	163	7	53	34
GBP against HK\$	36	33	28	18
RMB against USD	(121)	9	1	1
Euro against MOP and HK\$	2	4	1	(47)
MOP and HK\$ against RMB	(1,504)	(2,269)	(2,688)	(502)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the Track Record Period.

Cash flow interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate other receivables and bank borrowings.

The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits, bank balances and bank borrowings (see note 29 for details of the pledged bank deposits and bank balances and note 32 for details of bank borrowings). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

The Company is not exposed to cash flow interest rate risk because all the financial assets and liabilities are non-interest bearing.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For variable-rate pledged bank deposits, bank balances and bank borrowings, the analysis is prepared assuming the pledged bank deposits, bank balances and bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 10 basis points increase or decrease in variable-rate pledged bank deposits and bank balances represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the each of three years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August 2015 would increase/decrease by HK\$210,000, HK\$277,000, HK\$295,000 and HK\$93,000, respectively. A 50 basis points increase or decrease in variable-rate bank borrowings represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for each of the three years ended 31 December, 2012, 2013, 2014 and the eight months ended 31 August 2015 would decrease/increase by HK\$477,000, HK\$321,000, HK\$505,000 and HK\$422,000, respectively.

Equity price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments issued by one company. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period. If equity price has been 60% higher/lower, the investment revaluation reserve for the eight months ended 31 August 2015 would increase/decrease by HK\$85,441,000 as a result of the change in fair value of available-for-sale investment.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated and company statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 43.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group does not have significant concentration of credit risk on trade receivable as trade receivables consist of a large number of customers.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate curve at the end of each reporting period.

	Weighted average interest rate	Less than 4 months or on demand	Between 4 to 6 months	Between 7 to 12 months	Between 1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
31 December 2012							
Non-derivative financial liabilities							
Trade and other payables	N/A	393,965	15,253	14,995	32,081	456,294	456,294
Bills payable	N/A	10,518	–	–	–	10,518	10,518
Amount due to a related company	N/A	33	–	–	–	33	33
Amount due to a fellow subsidiary	N/A	31,079	–	–	–	31,079	31,079
Amount due to a non-controlling shareholder	3.00	1,480	82,400	–	–	83,880	82,723
Amount due to ultimate holding company	N/A	24,854	–	–	–	24,854	24,854
Bank borrowings	2.06	53,644	5,873	11,670	44,520	115,707	114,404
		<u>515,573</u>	<u>103,526</u>	<u>26,665</u>	<u>76,601</u>	<u>722,365</u>	<u>719,905</u>

	Weighted average interest rate %	Less than 4 months or on demand HK\$'000	Between 4 to 6 months HK\$'000	Between 7 to 12 months HK\$'000	Between 1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
31 December 2013							
Non-derivative financial liabilities							
Trade and other payables	N/A	439,419	10,914	5,382	73,660	529,375	529,375
Bills payable	N/A	27,323	2,602	–	–	29,925	29,925
Amount due to a fellow subsidiary	N/A	19,335	–	–	–	19,335	19,335
Amount due to ultimate holding company	N/A	31,485	–	–	–	31,485	31,485
Dividend payable	N/A	20,000	–	–	–	20,000	20,000
Bank borrowings	3.54	37,571	5,753	11,422	22,227	76,973	76,208
Financial guarantee contracts (note)		637,796	–	–	–	637,796	–
		<u>1,212,929</u>	<u>19,269</u>	<u>16,804</u>	<u>95,887</u>	<u>1,344,889</u>	<u>706,328</u>
31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	N/A	660,807	22,857	9,730	116,059	809,453	809,453
Bills payable	N/A	42,389	57,655	–	–	100,044	100,044
Amounts due to fellow subsidiaries	N/A	20,629	–	–	487	21,116	21,116
Amount due to ultimate holding company	N/A	31,380	–	–	–	31,380	31,380
Bank borrowings	1.85	72,495	5,828	18,984	22,549	119,856	118,819
		<u>827,700</u>	<u>86,340</u>	<u>28,714</u>	<u>139,095</u>	<u>1,081,849</u>	<u>1,080,812</u>
31 August 2015							
Non-derivative financial liabilities							
Trade and other payables	N/A	477,963	14,117	22,312	72,931	587,323	587,323
Amount due to a fellow subsidiary	N/A	1,939	–	938	938	3,815	3,815
Dividend payable	N/A	95,500	–	–	–	95,500	95,500
Bank borrowings	1.97	95,435	52,782	–	–	148,217	147,582
		<u>670,837</u>	<u>66,899</u>	<u>23,250</u>	<u>73,869</u>	<u>834,855</u>	<u>834,220</u>
As at 31 August 2015, the Group's bank loans with a repayment on demand clause commencing on 31 January 2016 are classified under "between 4 to 6 months" time band in the maturity analysis. Taking into account the Group's financial position, the directors of the Company believe that it is not probable that the bank will exercise its discretionary right to demand immediate repayment and such term loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. On this basis, the interest and principal cash flows for such bank loans would be as follows:							
31 August 2015 Bank loans with repayment on demand clause	2.49	<u>276</u>	<u>7,782</u>	<u>30,339</u>	<u>7,547</u>	<u>45,944</u>	<u>45,000</u>

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

	Weighted average interest rate %	Less than 4 months or on demand			
		At 31 December			At
		2012	2013	2014	31 August 2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY					
Other payables	N/A	1,475	1,553	1,626	802
Amount due to a related company	N/A	33	–	–	–
Amounts due to subsidiaries	N/A	91,621	90,335	174,176	287,214
Dividend payable	N/A	–	20,000	–	95,500
Financial guarantee contracts (<i>note</i>)	N/A	213,646	528,786	745,651	708,563
Total undiscounted cash flows		<u>306,775</u>	<u>640,674</u>	<u>921,453</u>	<u>1,092,079</u>
Total carrying amount		<u>93,129</u>	<u>111,888</u>	<u>175,802</u>	<u>383,516</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations, the management considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The Group's available-for-sale investment (representing the listed investment with standard terms and conditions and trade on active liquid markets) is measured at fair value at the end of each reporting period and they are grouped under Level 1 financial instruments with reference to quoted market bid prices.

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE

Revenue represents the net amounts received and receivable for fitting-out works, alteration and addition and construction works rendered and manufacturing, sourcing and distribution of interior decorative materials by the Group to customers, net of discounts.

An analysis of the Group's revenue for the year/period is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Continuing operations					
Contract revenue from fitting-out works	1,258,970	889,877	1,983,604	778,248	2,307,508
Contract revenue from alteration and addition and construction works	309,759	670,412	308,888	202,680	387,294
Manufacturing, sourcing and distribution of interior decorative materials	184,265	71,997	44,216	41,597	6,444
	<u>1,752,994</u>	<u>1,632,286</u>	<u>2,336,708</u>	<u>1,022,525</u>	<u>2,701,246</u>

8. SEGMENT INFORMATION

The Company's executive directors are the chief operating decision makers. Information reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance focuses on three principal business activities.

Specifically, the Group's reportable and operating segments under HKFRS 8 are therefore as follows:

- Fitting-out works in Hong Kong and others, except Macau and the PRC;
- Fitting-out works in Macau;
- Alteration and addition and construction works in Hong Kong; and
- Manufacturing, sourcing and distribution of interior decorative materials.

The Group also engaged in fitting-out works in the PRC which is classified as discontinued operations during the Track Record Period, details of which are set out in notes 13 and 36(b)(ii).

Segment revenue and results

*Continuing operations**For the year ended 31 December 2012*

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue							
External revenue	1,068,295	190,675	309,759	184,265	1,752,994	-	1,752,994
Inter-segment revenue	25,939	-	299	127,976	154,214	(154,214)	-
Segment revenue	<u>1,094,234</u>	<u>190,675</u>	<u>310,058</u>	<u>312,241</u>	<u>1,907,208</u>	<u>(154,214)</u>	<u>1,752,994</u>
Segment profit	<u>111,563</u>	<u>23,226</u>	<u>2,592</u>	<u>8,024</u>	<u>145,405</u>	<u>-</u>	<u>145,405</u>
Corporate expenses							(21,444)
Corporate income							1,783
Gain on disposal of subsidiaries							310
Finance costs							<u>(2,641)</u>
Profit before taxation							<u>123,413</u>

For the year ended 31 December 2013

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue							
External revenue	770,080	119,797	670,412	71,997	1,632,286	-	1,632,286
Inter-segment revenue	81,593	-	-	101,062	182,655	(182,655)	-
Segment revenue	<u>851,673</u>	<u>119,797</u>	<u>670,412</u>	<u>173,059</u>	<u>1,814,941</u>	<u>(182,655)</u>	<u>1,632,286</u>
Segment profit (loss)	<u>111,843</u>	<u>26,594</u>	<u>47,855</u>	<u>(14,553)</u>	<u>171,739</u>	<u>-</u>	<u>171,739</u>
Corporate expenses							(17,996)
Corporate income							970
Finance costs							<u>(1,823)</u>
Profit before taxation							<u>152,890</u>

APPENDIX I
ACCOUNTANTS' REPORT

For the year ended 31 December 2014

	Fitting-out works in Hong Kong and others, except Macau and the PRC <i>HK\$'000</i>	Fitting-out works in Macau <i>HK\$'000</i>	Alteration and addition and construction works in Hong Kong <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue							
External revenue	736,974	1,246,630	308,888	44,216	2,336,708	–	2,336,708
Inter-segment revenue	10,882	–	–	126,049	136,931	(136,931)	–
Segment revenue	<u>747,856</u>	<u>1,246,630</u>	<u>308,888</u>	<u>170,265</u>	<u>2,473,639</u>	<u>(136,931)</u>	<u>2,336,708</u>
Segment profit	<u>48,536</u>	<u>162,511</u>	<u>571</u>	<u>1,766</u>	<u>213,384</u>	<u>–</u>	<u>213,384</u>
Corporate expenses							(24,816)
Corporate income							938
Share of profit of an associate							17,155
Finance costs							<u>(871)</u>
Profit before taxation							<u>205,790</u>

For the eight months ended 31 August 2014 (unaudited)

	Fitting-out works in Hong Kong and others, except Macau and the PRC <i>HK\$'000</i>	Fitting-out works in Macau <i>HK\$'000</i>	Alteration and addition and construction works in Hong Kong <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue							
External revenue	451,549	326,699	202,680	41,597	1,022,525	–	1,022,525
Inter-segment revenue	6,345	–	–	28,984	35,329	(35,329)	–
Segment revenue	<u>457,894</u>	<u>326,699</u>	<u>202,680</u>	<u>70,581</u>	<u>1,057,854</u>	<u>(35,329)</u>	<u>1,022,525</u>
Segment profit (loss)	<u>65,205</u>	<u>38,471</u>	<u>5,396</u>	<u>(18,161)</u>	<u>90,911</u>	<u>–</u>	<u>90,911</u>
Corporate expenses							(16,836)
Corporate income							425
Share of profit of an associate							10,806
Finance costs							<u>(331)</u>
Profit before taxation							<u>84,975</u>

For the eight months ended 31 August 2015

	Fitting-out works in Hong Kong and others, except Macau and the PRC <i>HK\$'000</i>	Fitting-out works in Macau <i>HK\$'000</i>	Alteration and addition and construction works in Hong Kong <i>HK\$'000</i>	Manufacturing, sourcing and distribution of interior decorative materials <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue							
External revenue	658,324	1,649,184	387,294	6,444	2,701,246	-	2,701,246
Inter-segment revenue	1,458	-	92	122,077	123,627	(123,627)	-
Segment revenue	<u>659,782</u>	<u>1,649,184</u>	<u>387,386</u>	<u>128,521</u>	<u>2,824,873</u>	<u>(123,627)</u>	<u>2,701,246</u>
Segment profit (loss)	<u>66,686</u>	<u>255,352</u>	<u>11,029</u>	<u>(11,854)</u>	<u>321,213</u>	<u>-</u>	<u>321,213</u>
Corporate expenses							(16,551)
Corporate income							471
Loss on disposal of subsidiaries							(11)
Loss on disposal of an associate							(766)
Share of profits of associates							2,480
Finance costs							<u>(2,140)</u>
Profit before taxation							<u>304,696</u>

Inter-segment revenue is charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment profit (loss) represents the profit earned by (loss from) each segment, excluding income and expenses of the corporate function, which include certain other income, certain administrative expenses, other service costs, certain other expenses, share of profits of associates, gain (loss) on disposal of subsidiaries and an associate and finance costs. This is the measure reported to the Company's executive directors for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 31 December			At 31 August
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets				
Continuing operations				
Fitting-out works in Hong Kong and others, except Macau and the PRC	519,817	599,753	527,297	605,306
Fitting-out works in Macau	195,149	217,421	704,125	634,830
Alteration and addition and construction works in Hong Kong	150,097	185,152	146,986	229,130
Manufacturing, sourcing and distribution of interior decorative materials	122,081	100,835	132,526	85,336
	<u>987,144</u>	<u>1,103,161</u>	<u>1,510,934</u>	<u>1,554,602</u>
Total segment assets	987,144	1,103,161	1,510,934	1,554,602
Discontinued operations				
Fitting-out works in the PRC	250,382	480,964	623,146	–
Unallocated corporate assets				
Property, plant and equipment	1,773	1,404	1,094	806
Investment property	7,399	8,394	8,366	–
Interests in associates	–	–	66,656	101,946
Available-for-sale investment	–	–	–	142,402
Amount due from an associate	–	–	142	–
Amount due from an intermediate holding company	–	–	–	43,431
Other receivables, prepayments and deposits	909	1,770	1,763	19,729
Tax recoverable	569	330	6,747	5,382
Dividend receivable from an associate	–	–	–	5,320
Pledged bank deposits	5,767	8,449	32,648	–
Banks balances and cash	242,370	299,252	361,787	195,250
	<u>1,496,313</u>	<u>1,903,724</u>	<u>2,613,283</u>	<u>2,068,868</u>
Total consolidated assets of the Group	<u>1,496,313</u>	<u>1,903,724</u>	<u>2,613,283</u>	<u>2,068,868</u>

	At 31 December			At
	2012	2013	2014	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Segment liabilities				
Continuing operations				
Fitting-out works in Hong Kong and others, except Macau and the PRC	297,022	216,714	202,315	209,104
Fitting-out works in Macau	47,624	320,090	764,629	657,237
Alteration and addition and construction works in Hong Kong	141,680	162,978	142,018	204,078
Manufacturing, sourcing and distribution of interior decorative materials	117,283	54,792	63,669	34,398
	<u>603,609</u>	<u>754,574</u>	<u>1,172,631</u>	<u>1,104,817</u>
Total segment liabilities				
Discontinued operations				
Fitting-out works in the PRC	141,281	359,295	439,557	–
Unallocated corporate liabilities				
Amounts due to related companies	33	–	–	–
Amount due to a non-controlling shareholder	82,723	–	–	–
Dividend payable	–	20,000	–	95,500
Other payables	1,981	2,122	2,249	1,430
Tax payable	13,654	18,305	21,685	60,851
Bank borrowings	114,404	76,208	118,819	147,582
Deferred tax liabilities	1,219	932	955	–
	<u>958,904</u>	<u>1,231,436</u>	<u>1,755,896</u>	<u>1,410,180</u>
Total consolidated liabilities of the Group				

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than certain property, plant and equipment, investment property, interests in associates, available-for-sale investment, amounts due from an associate and an intermediate holding company, certain other receivables, prepayments and deposits, tax recoverable, dividend receivable from an associate, pledged bank deposits and bank balances and cash.
- All liabilities are allocated to operating segments other than certain amounts due to related companies and a non-controlling shareholder, dividend payable, certain other payables, tax payable, bank borrowings and deferred tax liabilities.

Other segment information*Continuing operations**For the year ended 31 December 2012*

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:							
Additions of property, plant and equipment	-	8	-	7,681	7,689	641	8,330
Depreciation of property, plant and equipment	216	9	-	6,863	7,088	1,063	8,151
Amortisation of other intangible assets	-	-	3,600	1,688	5,288	-	5,288
Reversal of allowance for inventories	-	-	-	(1,693)	(1,693)	-	(1,693)
Loss on disposal of property, plant and equipment	-	1	-	6	7	20	27

For the year ended 31 December 2013

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:							
Additions of property, plant and equipment	-	26	-	1,705	1,731	776	2,507
Depreciation of property, plant and equipment	152	5	-	5,051	5,208	1,146	6,354
Amortisation of other intangible assets	-	-	3,600	1,688	5,288	-	5,288
Reversal of allowance for inventories	-	-	-	(213)	(213)	-	(213)
(Gain) loss on disposal of property, plant and equipment	(4)	-	-	243	239	-	239

For the year ended 31 December 2014

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:							
Additions of property, plant and equipment	-	155	-	2,348	2,503	461	2,964
Depreciation of property, plant and equipment	2	35	-	4,785	4,822	768	5,590
Amortisation of other intangible assets	-	-	3,600	422	4,022	-	4,022
Reversal of allowance for inventories	-	-	-	(86)	(86)	-	(86)
(Gain) loss on disposal of property, plant and equipment	-	-	-	(2)	(2)	1	(1)
	<u>-</u>	<u>155</u>	<u>-</u>	<u>2,348</u>	<u>2,503</u>	<u>461</u>	<u>2,964</u>

For the eight months ended 31 August 2014 (unaudited)

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition and construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:							
Additions of property, plant and equipment	-	129	-	1,077	1,206	296	1,502
Depreciation of property, plant and equipment	2	32	-	3,251	3,285	519	3,804
Amortisation of other intangible assets	-	-	2,400	422	2,822	-	2,822
Gain on disposal of property, plant and equipment	-	-	-	(6)	(6)	-	(6)
	<u>-</u>	<u>129</u>	<u>-</u>	<u>1,077</u>	<u>1,206</u>	<u>296</u>	<u>1,502</u>

For the eight months ended 31 August 2015

	Fitting-out works in Hong Kong and others, except Macau and the PRC HK\$'000	Fitting-out works in Macau HK\$'000	Alteration and addition construction works in Hong Kong HK\$'000	Manufacturing, sourcing and distribution of interior decorative materials HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment results or segment assets:							
Additions of property, plant and equipment	56	28	-	2,509	2,593	128	2,721
Depreciation of property, plant and equipment	9	47	-	3,211	3,267	417	3,684
Amortisation of other intangible assets	-	-	2,400	-	2,400	-	2,400
Write off of trade and other receivables	1,067	-	-	9,125	10,192	-	10,192
Reversal of allowance for inventories	-	-	-	(175)	(175)	-	(175)
Loss on disposal of property, plant and equipment	-	-	-	12	12	-	12

Geographical information

The Group's operations are mainly located in Hong Kong, Macau and the PRC.

The management has categorised the revenue by location as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Continuing operations				(unaudited)	
Hong Kong	1,318,152	1,386,226	1,090,149	654,527	1,045,618
Macau	232,473	120,413	1,246,872	326,857	1,651,509
The PRC	115,491	65,979	22,455	22,261	1,333
Others (<i>Note</i>)	86,878	59,668	(22,768)	18,880	2,786
	<u>1,752,994</u>	<u>1,632,286</u>	<u>2,336,708</u>	<u>1,022,525</u>	<u>2,701,246</u>

Note: Included revenue for fitting-out projects in Russia and revenue from manufacturing, sourcing and distribution of interior decorative materials globally except for Hong Kong, Macau and the PRC.

The Group's information about its non-current assets by geographical location of the assets or by the location of the related operations are detailed below:

	At 31 December			At
	2012	2013	2014	31 August
	HK\$'000	HK\$'000	HK\$'000	2015
Hong Kong	15,419	9,377	71,516	104,058
Macau	9	30	150	130
The PRC	36,581	37,771	37,806	17,735
	<u>52,009</u>	<u>47,178</u>	<u>109,472</u>	<u>121,923</u>

Note: Non-current assets excluded financial instruments.

All non-current assets of the Group are located in the respective group entities' country of domicile.

Information about major customers

Revenues from customers of the corresponding year/period contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	Year ended 31 December			Eight months ended	
	2012	2013	2014	31 August	2015
	HK\$'000	HK\$'000	HK\$'000	2014	2015
				(unaudited)	
Continuing operations					
Customer A (Note a)	178,071	179,613	N/A ^(d)	N/A ^(d)	N/A ^(d)
Customer B (Note a)	N/A ^(d)	190,148	N/A ^(d)	N/A ^(d)	N/A ^(d)
Customer C (Note c)	N/A ^(d)	170,078	N/A ^(d)	N/A ^(d)	N/A ^(d)
Customer D					
(Notes a and b)	N/A ^(d)	N/A ^(d)	497,413	136,399	378,022
Customer E (Note b)	N/A ^(d)	N/A ^(d)	370,690	129,861	513,069
Customer F (Note b)	N/A ^(d)	N/A ^(d)	317,323	N/A ^(d)	490,688
Customer G (Note a)	N/A ^(d)	N/A ^(d)	244,681	109,634	N/A ^(d)
Customer H (Note c)	N/A ^(d)	N/A ^(d)	N/A ^(d)	133,013	N/A ^(d)
Customer I (Note a)	N/A ^(d)	N/A ^(d)	N/A ^(d)	107,184	N/A ^(d)

Notes:

- The revenue was from fitting-out works in Hong Kong.
- The revenue was from fitting-out works in Macau.
- The revenue was from alteration and addition and construction works in Hong Kong.
- The corresponding revenue did not contribute over 10% of the total revenue of the Group from continuing operations for the relevant year/period.

9. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations					
Other income					
Interest income	574	221	939	449	474
Consultancy fee income	900	702	1,737	1,150	1,389
Others	859	335	188	91	269
	<u>2,333</u>	<u>1,258</u>	<u>2,864</u>	<u>1,690</u>	<u>2,132</u>
Other gains and losses					
Net foreign exchange gain	2,445	2,333	254	4	373
Write off of trade and other receivables	-	-	-	-	(10,192)
(Loss) gain on disposal of property, plant and equipment	(27)	(239)	1	6	(12)
	<u>2,418</u>	<u>2,094</u>	<u>255</u>	<u>10</u>	<u>(9,831)</u>
	<u>4,751</u>	<u>3,352</u>	<u>3,119</u>	<u>1,700</u>	<u>(7,699)</u>

10. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations					
Interest on:					
Bank borrowings wholly repayable within five years	1,398	1,590	871	331	2,140
Amount due to a non-controlling shareholder	1,243	233	-	-	-
	<u>2,641</u>	<u>1,823</u>	<u>871</u>	<u>331</u>	<u>2,140</u>

11. INCOME TAX EXPENSE

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations					
Current tax					
Hong Kong Profits Tax	15,116	23,835	11,238	10,287	10,750
Macau Complementary Tax	3,440	3,303	20,044	4,655	31,781
PRC Enterprise Income Tax	4,386	225	–	–	15
	<u>22,942</u>	<u>27,363</u>	<u>31,282</u>	<u>14,942</u>	<u>42,546</u>
Overprovision in prior year/period					
Hong Kong Profits Tax	(34)	(278)	(495)	(449)	(400)
Macau Complementary Tax	(82)	(383)	(150)	–	(482)
PRC Enterprise Income Tax	(6,658)	(317)	(287)	(287)	–
	<u>(6,774)</u>	<u>(978)</u>	<u>(932)</u>	<u>(736)</u>	<u>(882)</u>
	<u>16,168</u>	<u>26,385</u>	<u>30,350</u>	<u>14,206</u>	<u>41,664</u>

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

Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period.

The income tax expense for the year/period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(unaudited)	
Continuing operations					
Profit before taxation	123,413	152,890	205,790	84,975	304,696
Tax at the weighted average tax rate (Note)	19,357	23,554	24,612	10,814	37,426
Tax effect of expenses not deductible for tax purpose	3,642	2,079	7,530	5,279	3,482
Tax effect of income not taxable for tax purpose	(361)	(45)	(91)	(15)	(4)
Tax effect of share of profits of associates	–	–	(2,831)	(1,783)	(409)
Overprovision in respect of prior years	(6,774)	(978)	(932)	(736)	(882)
Tax effect of tax losses not recognised	586	1,506	661	300	913
Utilisation of tax losses previously not recognised	(97)	(774)	(65)	(28)	–
Others	(185)	1,043	1,466	375	1,138
Income tax expense for the year/period	16,168	26,385	30,350	14,206	41,664

Note: The weighted average applicable tax rate for different jurisdictions for the each of the three years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August, 2014 and 2015 is approximately 16%, 15%, 12%, 13% (unaudited) and 12% respectively. The weighted average applicable tax rate represents the weighted average tax rate in different jurisdictions in which the Group operates and is calculated on the basis of the profit or loss before taxation arising in these jurisdictions and the applicable statutory tax rates.

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations					
Profit for the year/period has been arrived at after charging (crediting):					
Auditor's remuneration	1,565	820	800	450	453
Depreciation of property, plant and equipment	8,151	6,354	5,590	3,804	3,684
Amortisation of other intangible assets	5,288	5,288	4,022	2,822	2,400
Total depreciation and amortisation	13,439	11,642	9,612	6,626	6,084
Cost of inventories recognised as expense	139,603	51,790	43,358	38,572	8,770
Reversal of allowance for inventories (included in cost of sales)	(1,693)	(213)	(86)	–	(175)
Contract costs recognised as expense					
Fitting-out works	1,096,054	750,443	1,711,963	657,959	1,943,562
Alteration and addition and construction works	298,560	588,419	293,394	189,096	370,268
	1,394,614	1,338,862	2,005,357	847,055	2,313,830
Operating lease payments in respect of rented properties	9,305	9,522	19,315	11,761	14,858
Staff costs					
Gross staff costs (including directors' emoluments)	199,322	198,578	210,203	117,995	135,052
Other service costs	933	–	–	–	–
Less: Staff costs capitalised to contract costs	(109,595)	(111,025)	(125,028)	(65,692)	(77,876)
	90,660	87,553	85,175	52,303	57,176

13. DISCONTINUED OPERATIONS

On 16 April 2015, the Group entered into a sale and purchase agreement with Jangho Hongkong to dispose of the Group's 50% interest in Sundart Beijing, which carried out fitting-out works in the PRC, to Jangho Hongkong. The disposal was completed on 24 April 2015.

The profit for the year/period from the discontinued operation of fitting-out works in the PRC is set out below.

	Year ended 31 December			Eight months ended 31 August 2014	From 1 January 2015 to 24 April 2015
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) of fitting-out works in the PRC for the year/period	2,557	22,361	3,254	4,335	(1,115)
Gain on disposal of subsidiaries (note 36(b)(ii))	—	—	—	—	10,487
	<u>2,557</u>	<u>22,361</u>	<u>3,254</u>	<u>4,335</u>	<u>9,372</u>
Profit for the year/period from discontinued operations attributable to Owners of the Company	2,822	16,771	2,440	3,251	9,651
Non-controlling interests	(265)	5,590	814	1,084	(279)
	<u>2,557</u>	<u>22,361</u>	<u>3,254</u>	<u>4,335</u>	<u>9,372</u>

The results of the operation of fitting-out works in the PRC for the Track Record Period, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

	Year ended 31 December			Eight months ended	From 1 January 2015 to
	2012	2013	2014	31 August 2014	24 April 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	326,986	854,312	1,112,328	770,660	338,029
Cost of sales	(292,666)	(757,234)	(1,038,269)	(721,777)	(309,973)
Gross profit	34,320	97,078	74,059	48,883	28,056
Other income, other gains and losses	2,113	1,134	1,060	317	(293)
Selling expenses	(229)	(353)	(58)	(48)	(20)
Administrative expenses	(33,318)	(70,912)	(69,237)	(41,971)	(27,550)
Finance cost on loan from immediate holding company and a fellow subsidiary and bank borrowings wholly repayable within five years	(742)	(2,090)	(1,207)	(558)	(1,302)
Profit (loss) before taxation	2,144	24,857	4,617	6,623	(1,109)
PRC Enterprise Income Tax credit (expense)	413	(2,496)	(1,363)	(2,288)	(6)
Profit (loss) for the year/period	2,557	22,361	3,254	4,335	(1,115)

	Year ended 31 December			Eight months ended	From 1 January 2015 to
	2012	2013	2014	31 August 2014	24 April 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income, other gains and losses represents:					
Other income					
Interest income	413	511	548	372	239
Rental income	398	419	207	207	-
Others	-	117	346	50	-
	<u>811</u>	<u>1,047</u>	<u>1,101</u>	<u>629</u>	<u>239</u>
Other gains and losses					
Net foreign exchange (loss) gain	(2,728)	(662)	169	(102)	(587)
Gain on fair value change of investment property	1,107	750	-	-	-
Gain on disposal of available-for-sale investment	3,088	-	-	-	-
(Loss) gain on disposal of property, plant and equipment	(165)	(1)	(210)	(210)	55
	<u>1,302</u>	<u>87</u>	<u>(41)</u>	<u>(312)</u>	<u>(532)</u>
	<u>2,113</u>	<u>1,134</u>	<u>1,060</u>	<u>317</u>	<u>(293)</u>

	Year ended 31 December			Eight months ended	From 1 January 2015 to 24 April 2015
	2012	2013	2014	31 August 2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the year/period has been arrived at after charging (crediting):				(unaudited)	
Depreciation of property, plant and equipment	1,016	2,691	3,500	2,290	1,156
Amortisation of other intangible assets	–	9	16	11	5
Total depreciation and amortisation	1,016	2,700	3,516	2,301	1,161
Gross rental income from investment property	(398)	(419)	(207)	(207)	–
Less: Direct operating expense from investment property that generated rental income during the year/period	66	67	67	67	–
	(332)	(352)	(140)	(140)	–
Contract costs recognised as expense	292,666	757,234	1,038,269	721,777	309,973
Operating lease payments in respect of rented properties	4,093	9,410	8,012	4,812	2,310
Staff costs					
Gross staff costs (including directors' emoluments)	30,387	73,230	85,485	46,736	17,115
Less: Staff costs capitalised to contract costs	(10,147)	(37,390)	(47,540)	(24,332)	(9,350)
	20,240	35,840	37,945	22,404	7,765

	Year ended 31 December			Eight months ended	From 1 January 2015 to 24 April 2015
	2012	2013	2014	31 August 2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows of discontinued operations:				(unaudited)	
Net cash (used in) from operating activities	(50,030)	6,524	(67,011)	(36,717)	(89,500)
Net cash from (used in) investing activities	9,060	(10,446)	(29,847)	(18,620)	(19,428)
Net cash from (used in) financing activities	24,451	45,547	1,690	(28,652)	85,731
Net cash (outflow) inflow	<u>(16,519)</u>	<u>41,625</u>	<u>(95,168)</u>	<u>(83,989)</u>	<u>(23,197)</u>

The carrying amounts of the assets and liabilities of Sundart Beijing at the date of disposal are disclosed in note 36(b)(ii).

14. DIVIDEND

	Year ended 31 December			Eight months ended	
	2012	2013	2014	31 August 2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interim dividend paid/declared	<u>56,000</u>	<u>20,000</u>	<u>–</u>	<u>–</u>	<u>450,000</u>
Interim dividend per share (HK\$)	<u>10,980</u>	<u>3,922</u>	<u>–</u>	<u>–</u>	<u>88,235</u>

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to each of the directors of the Company were as follows:

Name of directors	Notes	Year ended 31 December 2012				Total HK\$'000
		Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
<i>Executive directors:</i>						
Mr. Ng Tak Kwan		-	1,313	-	8	1,321
Mr. Leung Kai Ming ("Mr. Leung")		-	1,182	-	8	1,190
Mr. Wang Qifeng	(a), (f)	-	-	-	-	-
Mr. Xie Jianyu	(a)	-	420	-	-	420
Mr. Ng Chi Hang	(e)	-	-	-	-	-
Mr. Pong Kam Keung	(e)	-	-	-	-	-
Mr. Ma Zhenyu	(a), (d)	-	-	-	-	-
Mr. Chan, William	(b)	-	-	-	-	-
Mr. Wong Kim Hung Patrick	(b)	-	-	-	-	-
<i>Non-executive director:</i>						
Mr. Liu Zaiwang	(e)	-	-	-	-	-
		-	2,915	-	16	2,931

Name of directors	Notes	Year ended 31 December 2013				Total HK\$'000
		Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
<i>Executive directors:</i>						
Mr. Ng Tak Kwan		-	2,040	170	15	2,225
Mr. Leung		-	2,046	170	15	2,231
Mr. Wang Qifeng	(a), (f)	-	600	-	26	626
Mr. Xie Jianyu	(a)	-	1,045	50	1	1,096
Mr. Ng Chi Hang	(e)	-	-	-	-	-
Mr. Pong Kam Keung	(e)	-	-	-	-	-
Mr. Ma Zhenyu	(a), (d)	-	438	-	33	471
<i>Non-executive director:</i>						
Mr. Liu Zaiwang	(e)	-	-	-	-	-
		-	6,169	390	90	6,649

Name of directors	Notes	Year ended 31 December 2014				Total HK\$'000
		Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
<i>Executive directors:</i>						
Mr. Ng Tak Kwan		–	2,040	170	17	2,227
Mr. Leung		–	2,050	170	17	2,237
Mr. Wang Qifeng	(a), (f)	–	428	–	37	465
Mr. Xie Jianyu	(a)	–	1,114	80	17	1,211
Mr. Ng Chi Hang	(e)	–	–	–	–	–
Mr. Pong Kam Keung	(e)	–	–	–	–	–
Mr. Ma Zhenyu	(a), (d)	–	75	–	3	78
Mr. Xu Xingli	(c), (f)	–	–	–	–	–
<i>Non-executive director:</i>						
Mr. Liu Zaiwang	(e)	–	–	–	–	–
		–	5,707	420	91	6,218

Name of directors	Notes	Eight months ended 31 August 2014 (unaudited)				Total HK\$'000
		Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
<i>Executive directors:</i>						
Mr. Ng Tak Kwan		–	1,360	170	11	1,541
Mr. Leung		–	1,365	170	11	1,546
Mr. Wang Qifeng	(a), (f)	–	202	–	23	225
Mr. Xie Jianyu	(a)	–	739	80	11	830
Mr. Ng Chi Hang	(e)	–	–	–	–	–
Mr. Pong Kam Keung	(e)	–	–	–	–	–
Mr. Ma Zhenyu	(a), (d)	–	75	–	3	78
Mr. Xu Xingli	(c), (f)	–	–	–	–	–
<i>Non-executive director:</i>						
Mr. Liu Zaiwang	(e)	–	–	–	–	–
		–	3,741	420	59	4,220

Name of directors	Notes	Eight months ended 31 August 2015				Total HK\$'000
		Fees HK\$'000	Salaries and other benefits HK\$'000	Discretionary incentive payments HK\$'000	Retirement benefit scheme contributions HK\$'000	
<i>Executive directors:</i>						
Mr. Ng Tak Kwan		–	1,360	2,171	12	3,543
Mr. Leung		–	1,366	1,170	12	2,548
Mr. Wang Qifeng	(a), (f)	–	101	–	19	120
Mr. Xie Jianyu	(a)	–	832	200	12	1,044
Mr. Ng Chi Hang	(e)	–	145	–	2	147
Mr. Pong Kam Keung	(e)	–	177	–	2	179
Mr. Xu Xingli	(c), (f)	–	–	–	–	–
<i>Non-executive director:</i>						
Mr. Liu Zaiwang	(e)	–	–	–	–	–
		–	3,981	3,541	59	7,581

Notes:

- (a) Appointed on 26 June 2012
- (b) Resigned on 26 June 2012
- (c) Appointed on 21 August 2014
- (d) Resigned on 21 August 2014
- (e) Appointed on 23 July 2015
- (f) Resigned on 23 July 2015

The discretionary incentive payments are discretionary and are determined with reference to the performance of individual and the Group.

Mr. Ng Tak Kwan is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Employees' emoluments

The five highest paid individuals include 2, 2, 2, 2 (unaudited) and 2 directors for the years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August 2014 and 2015 respectively and whose emoluments are disclosed in above. The emoluments of the remaining 3 employees for the Track Record Period are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Salaries and other benefits	4,436	4,835	10,574	9,182	6,409
Contributions to retirement benefit scheme	41	45	50	32	36
	<u>4,477</u>	<u>4,880</u>	<u>10,624</u>	<u>9,214</u>	<u>6,445</u>

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December			Eight months ended 31 August	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$1,000,001 to HK\$1,500,000	2	1	–	–	–
HK\$1,500,001 to HK\$2,000,000	–	2	–	1	2
HK\$2,000,001 to HK\$2,500,000	1	–	1	–	–
HK\$2,500,001 to HK\$3,000,000	–	–	–	–	1
HK\$3,000,001 to HK\$3,500,000	–	–	–	1	–
HK\$3,500,001 to HK\$4,000,000	–	–	1	–	–
HK\$4,000,001 to HK\$4,500,000	–	–	–	–	–
HK\$4,500,001 to HK\$5,000,000	–	–	–	1	–
HK\$5,000,001 to HK\$5,500,000	–	–	1	–	–
	<u>2</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>2</u>

No emolument was paid to the directors of the Company and the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any of their emoluments during the Track Record Period.

16. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the earnings per share for the Track Record Period is based on the profits attributable to owners of the Company and on 1,500,000,000 shares in issue during the Track Record Period on the assumption that the capitalisation issue as detailed in the paragraph headed "A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015" in Appendix IV to the Prospectus have been effective on 1 January 2012.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

From continuing operations

The calculation of the basic earnings per share for continuing operations attributable to owners of the Company is based on the following data:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Profit for the year/period attributable to owners of the Company	110,067	143,276	177,880	74,020	272,683
Less: Profit for the year/period from discontinued operations attributable to owners of the Company	(2,822)	(16,771)	(2,440)	(3,251)	(9,651)
Profit for the year/period attributable to owners of the Company from continuing operations	<u>107,245</u>	<u>126,505</u>	<u>175,440</u>	<u>70,769</u>	<u>263,032</u>

The denominators used are the same as those detailed above.

From discontinued operation

Basic earnings per share from the discontinued operation for the years ended 31 December 2012, 2013, 2014 and eight months ended 31 August 2014 and 2015 is HK0.19 cent, HK1.12 cents, HK0.16 cent, HK0.21 cent (unaudited) and HK0.64 cent per share, based on the profit for the years ended 31 December 2012, 2013, 2014 and eight months ended 31 August 2014 and 2015 from the discontinued operations attributable to owners of the Company of HK\$2,822,000, HK\$16,771,000, HK\$2,440,000, HK\$3,251,000 (unaudited) and HK\$9,651,000, respectively and the denominators detailed above for basic earnings per share.

17. INVESTMENTS IN SUBSIDIARIESTHE COMPANY

	At 31 December			At 31 August
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Unlisted investments, at cost	11	11	11	11
Deemed contribution to subsidiaries	<u>161,169</u>	<u>181,207</u>	<u>256,858</u>	<u>397,092</u>
	<u>161,180</u>	<u>181,218</u>	<u>256,869</u>	<u>397,103</u>

Deemed contribution in subsidiaries represent loans advance to subsidiaries which are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors of the Company, the loans are in substance formed part of investments in subsidiaries.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>THE GROUP</u>					
COST					
At 1 January 2012	12,866	17,546	7,562	2,183	40,157
Exchange adjustments	(12)	(6)	15	(3)	(6)
Additions	3,360	3,429	4,754	928	12,471
Disposals	(793)	(136)	(476)	(487)	(1,892)
At 31 December 2012	15,421	20,833	11,855	2,621	50,730
Exchange adjustments	203	356	274	50	883
Additions	2,955	1,039	3,019	742	7,755
Disposals	–	(298)	(105)	(95)	(498)
At 31 December 2013	18,579	21,930	15,043	3,318	58,870
Exchange adjustments	(7)	(35)	(28)	(7)	(77)
Additions	5,867	1,131	2,088	75	9,161
Disposals	(931)	–	(34)	(138)	(1,103)
At 31 December 2014	23,508	23,026	17,069	3,248	66,851
Exchange adjustments	(173)	(648)	(181)	(47)	(1,049)
Additions	1,943	2,006	314	338	4,601
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	(10,638)	–	(7,520)	(490)	(18,648)
Disposals	–	–	(66)	(333)	(399)
At 31 August 2015	14,640	24,384	9,616	2,716	51,356
DEPRECIATION					
At 1 January 2012	2,350	5,632	2,972	997	11,951
Exchange adjustments	3	10	2	–	15
Provided for the year	2,441	4,312	1,926	488	9,167
Eliminated on disposals	(634)	(73)	(403)	(383)	(1,493)
At 31 December 2012	4,160	9,881	4,497	1,102	19,640
Exchange adjustments	(36)	(129)	97	23	(45)
Provided for the year	3,497	2,017	2,993	538	9,045
Eliminated on disposals	–	(115)	(66)	(71)	(252)
At 31 December 2013	7,621	11,654	7,521	1,592	28,388
Exchange adjustments	9	22	(5)	(2)	24
Provided for the year	3,636	2,063	2,840	551	9,090
Eliminated on disposals	(721)	–	(15)	(101)	(837)

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2014	10,545	13,739	10,341	2,040	36,665
Exchange adjustments	43	(54)	(143)	(33)	(187)
Provided for the period	1,727	1,447	1,339	327	4,840
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	(4,235)	–	(3,554)	(75)	(7,864)
Eliminated on disposals	–	–	(45)	(220)	(265)
	<u>8,080</u>	<u>15,132</u>	<u>7,938</u>	<u>2,039</u>	<u>33,189</u>
CARRYING VALUES					
At 31 December 2012	<u>11,261</u>	<u>10,952</u>	<u>7,358</u>	<u>1,519</u>	<u>31,090</u>
At 31 December 2013	<u>10,958</u>	<u>10,276</u>	<u>7,522</u>	<u>1,726</u>	<u>30,482</u>
At 31 December 2014	<u>12,963</u>	<u>9,287</u>	<u>6,728</u>	<u>1,208</u>	<u>30,186</u>
At 31 August 2015	<u>6,560</u>	<u>9,252</u>	<u>1,678</u>	<u>677</u>	<u>18,167</u>

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1 January 2012	949	2,250	–	3,199
Additions	–	642	–	642
Disposals	–	(39)	–	(39)
At 31 December 2012	949	2,853	–	3,802
Additions	–	277	501	778
Disposals	–	(1)	–	(1)
At 31 December 2013	949	3,129	501	4,579
Additions	46	416	–	462
Disposals	–	(1)	–	(1)
At 31 December 2014	995	3,544	501	5,040
Additions	–	128	–	128
Disposals	–	(1)	–	(1)
At 31 August 2015	995	3,671	501	5,167
DEPRECIATION				
At 1 January 2012	326	660	–	986
Provided for the year	325	736	–	1,061
Eliminated on disposals	–	(18)	–	(18)
At 31 December 2012	651	1,378	–	2,029
Provided for the year	298	808	42	1,148
Eliminated on disposals	–	(1)	–	(1)
At 31 December 2013	949	2,185	42	3,176
Provided for the year	5	599	167	771
Eliminated on disposals	–	(1)	–	(1)
At 31 December 2014	954	2,783	209	3,946
Provided for the period	11	294	111	416
Eliminated in disposals	–	(1)	–	(1)
At 31 August 2015	965	3,076	320	4,361
CARRYING VALUES				
At 31 December 2012	298	1,475	–	1,773
At 31 December 2013	–	944	459	1,403
At 31 December 2014	41	761	292	1,094
At 31 August 2015	30	595	181	806

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	10%–50% or over the remaining term of lease, if shorter
Plant and machinery	9%–30%
Furniture, fixtures and equipment	10%–44.44%
Motor vehicles	17%–33 $\frac{1}{3}$ %

19. INVESTMENT PROPERTY

	<i>HK\$'000</i>
<u>THE GROUP</u>	
<u>FAIR VALUE</u>	
At 1 January 2012	6,291
Increase in fair value recognised in profit or loss	1,107
Exchange adjustments	<u>1</u>
At 31 December 2012	7,399
Increase in fair value recognised in profit or loss	750
Exchange adjustments	<u>245</u>
At 31 December 2013	8,394
Exchange adjustments	<u>(28)</u>
At 31 December 2014	8,366
Exchange adjustments	1
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	<u>(8,367)</u>
At 31 August 2015	<u><u>–</u></u>

The fair values at 31 December 2012, 2013, 2014 have been arrived by an independent qualified professional valuer not connected with the Group, namely Asset Appraisal Limited. The address of Asset Appraisal Limited is Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. It is a member of the Hong Kong Institute of Surveyors. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The investment property is situated in the PRC under medium term lease.

20. GOODWILL

HK\$'000

THE GROUP

Carrying amount as at 1 January 2012, 31 December 2012,
31 December 2013, 31 December 2014 and 31 August 2015

1,510

Amount represented the excess of consideration paid over the fair value of net assets taken over on the acquisition of subsidiaries, Sundart Timber and Sundart Living. For the purpose of impairment test, the carrying amount of goodwill had been allocated to the CGU of Sundart Timber and Sundart Living under the fitting-out works in Hong Kong segment, the manufacturing, sourcing and distribution of interior decorative materials segment, amounting to HK\$746,000 and HK\$764,000, respectively.

The recoverable amounts of CGU of Sundart Timber and CGU of Sundart Living have been determined based on a value in use calculation. The calculation uses cash flow projections based on the most recent financial budgets approved by management covering a 2-year period and discount rates of 15%. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of CGU to exceed the aggregate recoverable amounts of CGU.

21. OTHER INTANGIBLE ASSETS

	Registrations <i>HK\$'000</i> <i>(Note a)</i>	Patents <i>HK\$'000</i> <i>(Note a)</i>	Licenses <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At 1 January 2012 and 31 December 2012	8,308	130	18,000	26,438
Additions	–	79	–	79
At 31 December 2013	8,308	209	18,000	26,517
Disposals	(1,124)	(130)	–	(1,254)
At 31 December 2014	7,184	79	18,000	25,263
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	–	(79)	–	(79)
At 31 August 2015	7,184	–	18,000	25,184
ACCUMULATED AMORTISATION				
At 1 January 2012	4,569	71	4,500	9,140
Charged for the year	1,662	26	3,600	5,288
At 31 December 2012	6,231	97	8,100	14,428
Charged for the year	1,662	35	3,600	5,297
At 31 December 2013	7,893	132	11,700	19,725
Charged for the year	415	23	3,600	4,038
Eliminated on disposals	(1,124)	(130)	–	(1,254)
At 31 December 2014	7,184	25	15,300	22,509
Charged for the period	–	5	2,400	2,405
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	–	(30)	–	(30)
At 31 August 2015	7,184	–	17,700	24,884
CARRYING VALUES				
At 31 December 2012	2,077	33	9,900	12,010
At 31 December 2013	415	77	6,300	6,792
At 31 December 2014	–	54	2,700	2,754
At 31 August 2015	–	–	300	300

Notes:

- a. The Group's registrations and patents related to door products and timber panels ("Patents") which were acquired from SUNDART PRODUCTS GROUP LIMITED ("SPG") and through acquisition of Dongguan Sundart. SPG and Dongguan Sundart were previously beneficially owned by Mr. Leung, a director of the Company, that give him control over these companies. Details of this transaction are set out in note 37.
- b. The Group's licenses represent various licenses and qualifications for building construction acquired on acquisition of Kin Shing.

The other intangible assets are amortised on straight-line basis over 5 years.

22. AVAILABLE-FOR-SALE INVESTMENTTHE GROUP

Available-for-sale investment as at 31 August 2015 represents the Group's investment of 200,400,000 ordinary shares of Beijing Enterprises Medical and Health Industry Group Limited (formerly known as Genvon Group Limited), a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, which is measured at fair value.

23. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Unlisted shares, at cost	-	-	-	-
Deemed contribution to an associate	-	-	60,000	100,000
Share of post-acquisition profit and other comprehensive income, net of dividends receivable	-	-	6,656	1,946
	<u>-</u>	<u>-</u>	<u>66,656</u>	<u>101,946</u>
Amount due from an associate	<u>-</u>	<u>-</u>	<u>142</u>	<u>-</u>

Deemed contribution in an associate represents loan advanced to an associate which is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors of the Company, the loan is in substance formed part of investment in an associate.

Amount due from an associate is unsecured, interest-free and repayable on demand.

As at 31 December 2014 and 31 August 2015, the Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of issued capital and voting rights held by the Group		Principal activities
					At	At	
					31 December 2014	31 August 2015	
					%	%	
EAGLE VISION DEVELOPMENT LIMITED ("Eagle Vision")	Incorporated	BVI	Hong Kong	Ordinary	28.57	28.57	Investment holding
Sundart Beijing (<i>Note</i>)	Sino-foreign joint venture	The PRC	The PRC	Registered capital	N/A	–	Interior fitting-out works

Eagle Vision acquired 70% equity interest in Steve Leung Designers Limited ("Steve Leung") during the year ended 31 December 2014. Steve Leung and its subsidiaries are engaged in the provision of interior design services in Hong Kong and the PRC.

The Group owned 25% interest in Sundart Beijing since 25 April 2015. On 25 June 2015, the Group disposed of the remaining 25% interest in Sundart Beijing to Jangho Hongkong at a consideration in cash of HK\$45,717,000. Loss on disposal amounting to HK\$766,000 was recognised during the eight months ended 31 August 2015.

The summarised consolidated financial information of Eagle Vision, which is prepared in accordance with HKFRSs, is set out below:

	At 31 December 2014 HK\$'000	At 31 August 2015 HK\$'000
Current assets	<u>183,416</u>	<u>205,128</u>
Non-current assets	<u>438,024</u>	<u>426,583</u>
Current liabilities	<u>(443,800)</u>	<u>(476,493)</u>
Non-current liabilities	<u>(21,719)</u>	<u>(23,716)</u>
Net assets attributable to:		
Shareholders	23,299	6,810
Non-controlling interests	<u>132,622</u>	<u>124,692</u>
	<u>155,921</u>	<u>131,502</u>

	Year ended 31 December 2014 <i>HK\$'000</i>	Eight months ended 31 August 2014 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i>
Revenue	298,595	178,323	163,719
Profit for the year/period	84,062	54,077	11,170
Attributable to:			
Shareholders	58,942	37,824	8,424
Non-controlling interests	25,120	16,253	2,746
	84,062	54,077	11,170
Other comprehensive (expense) income for the year/period	(2,496)	(605)	84
Attributable to:			
Shareholders	(1,747)	(423)	59
Non-controlling interests	(749)	(182)	25
	(2,496)	(605)	84
Total comprehensive income for the year/period	81,566	53,472	11,254
Attributable to:			
Shareholders	57,195	37,401	8,483
Non-controlling interests	24,371	16,071	2,771
	81,566	53,472	11,254
Dividend received and receivable from the associate during the year/period	10,000	-	7,320

Reconciliation of the above summarised consolidated financial information of Eagle Vision to the carrying amount of the interest in the associate recognised in the Financial Information:

	At 31 December 2014 HK\$'000	At 31 August 2015 HK\$'000
Net assets of Eagle Vision	155,921	131,502
Less: Non-controlling interests in Eagle Vision	<u>(132,622)</u>	<u>(124,692)</u>
Equity attributable to shareholders of Eagle Vision	23,299	6,810
Proportion of the Group's ownership interest in Eagle Vision	<u>28.57%</u>	<u>28.57%</u>
	6,656	1,946
Deemed investment in Eagle Vision	<u>60,000</u>	<u>100,000</u>
Carrying amount of the Group's interest in Eagle Vision	<u><u>66,656</u></u>	<u><u>101,946</u></u>

24. INVENTORIES

	At 31 December			At 31 August
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
At cost:				
Raw materials	28,919	24,116	27,375	25,127
Work-in-progress	34,834	16,037	30,912	15,761
Finished goods	<u>3,292</u>	<u>2,518</u>	<u>2,045</u>	<u>135</u>
	<u><u>67,045</u></u>	<u><u>42,671</u></u>	<u><u>60,332</u></u>	<u><u>41,023</u></u>

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

THE GROUP

Related companies are the subsidiaries of Rykadan Capital and a company in which a director of ultimate holding company and his spouse have 100% beneficial interest over the related company.

Amounts due from related companies

	At 31 December			At 31 August
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
Trade receivables	10,456	–	–	–
Retentions receivable	5,845	11,429	19	–
Other receivables	<u>1,481</u>	<u>38</u>	<u>–</u>	<u>–</u>
	<u><u>17,782</u></u>	<u><u>11,467</u></u>	<u><u>19</u></u>	<u><u>–</u></u>

The Group allows a credit period of 30 days to its trade receivables due from a related company. As at 31 December 2012, the trade receivable due from a related company is aged within 30 days based on invoice date and not past due. The Group does not hold any collateral over this balance.

Retentions receivable

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Retentions receivable from a related company which				
– will be recovered within twelve months	2,922	5,714	–	–
– will be recovered more than twelve months after the end of the reporting period	2,923	5,715	19	–
	<u>5,845</u>	<u>11,429</u>	<u>19</u>	<u>–</u>

Amounts due to related companies

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Deposits received for contract work	10,792	–	–	–
Other payables	33	–	–	–
	<u>10,825</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>THE COMPANY</u>				
Other payables	33	–	–	–

Other payables of the Group and the Company are unsecured, interest-free and repayable on demand.

26. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES/AN INTERMEDIATE HOLDING COMPANY/ULTIMATE HOLDING COMPANY/SUBSIDIARIES

THE GROUP

Amounts are unsecured, interest-free and repayable on demand, except for trade payables and retentions payable to fellow subsidiaries and ultimate holding company. The amount due from an intermediate holding company of HK\$43,431,000, representing consideration receivable in relation to the disposal of 25% equity interest in Sundart Beijing, was repaid in full on 10 September 2015.

Amounts due to fellow subsidiaries

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	31,079	19,335	20,629	1,940
Retentions payable	–	–	487	1,875
	<u>31,079</u>	<u>19,335</u>	<u>21,116</u>	<u>3,815</u>

Amount due to ultimate holding company

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	24,854	25,635	25,549	–
Other payables	–	5,850	5,831	–
	<u>24,854</u>	<u>31,485</u>	<u>31,380</u>	<u>–</u>

The fellow subsidiaries and ultimate holding company allow a credit period of 21 to 30 days to the Group.

The aged analysis of trade payables to fellow subsidiaries presented based on invoice date are as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1–30 days	31,079	–	1,359	1,940
Over 90 days	–	19,335	19,270	–
	<u>31,079</u>	<u>19,335</u>	<u>20,629</u>	<u>1,940</u>

The aged analysis of trade payables to ultimate holding company presented based on invoice date are as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1-30 days	24,854	–	–	–
Over 90 days	–	25,635	25,549	–
	<u>24,854</u>	<u>25,635</u>	<u>25,549</u>	<u>–</u>

As at 31 December 2014 and 31 August 2015, the retentions payable to a fellow subsidiary of HK\$487,000 and HK\$938,000 respectively are expected to be paid after one year.

THE COMPANY

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

27. OTHER FINANCIAL ASSETS

Trade and other receivables and retentions receivable at the end of each reporting period comprise receivables from third parties as follows:

Trade and other receivables

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Trade receivables	158,021	388,397	410,968	211,685
Prepayments and deposits	156,324	308,866	394,239	290,018
Other receivables	18,573	34,572	20,958	9,104
	<u>332,918</u>	<u>731,835</u>	<u>826,165</u>	<u>510,807</u>

Trade receivables

The Group allows an average credit period of 30 to 45 days to their trade customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of each reporting period.

	At 31 December			At 31 August
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
1–30 days	118,329	229,966	143,260	101,448
31–60 days	23,390	84,051	119,084	85,555
61–90 days	260	35,741	53,286	9,419
Over 90 days	16,042	38,639	95,338	15,263
	<u>158,021</u>	<u>388,397</u>	<u>410,968</u>	<u>211,685</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

During the eight months ended 31 August 2015, the Group has written off trade receivables amounting to HK\$10,192,000 because there is a dispute with a customer and management concluded that the amount is uncollectable.

As at 31 December 2012, 2013, 2014 and 31 August 2015, included in the Group's trade receivable balances are receivables with aggregate carrying amount of HK\$44,331,000, HK\$138,521,000, HK\$176,617,000 and HK\$23,574,000, respectively, which are past due at the end of each reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. Accordingly, the directors of the Company believe that no impairment is required. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	At 31 December			At 31 August
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
Overdue				
1–30 days	27,965	80,743	19,480	12,741
31–60 days	325	30,786	39,183	371
61–90 days	947	3,775	52,159	3,455
Over 90 days	15,094	23,217	65,795	7,007
	<u>44,331</u>	<u>138,521</u>	<u>176,617</u>	<u>23,574</u>

Other receivablesTHE GROUP

Other receivables amounting to HK\$1,101,000, HK\$908,000, HK\$900,000 and nil, respectively, as at 31 December 2012, 2013, 2014 and 31 August 2015 have been pledged to secure a performance bond, an advance payment bond and bills payable and are classified as current assets.

As at 31 December 2012, 2013, 2014 and 31 August 2015, other receivables of HK\$1,825,000, HK\$1,882,000, HK\$1,876,000 and HK\$1,795,000, respectively, are unsecured, interest bearing at 9% per annum and repayable on demand.

Bills receivable

Ageing of bills receivable is as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
1-30 days	668	5,215	697	-
91-120 days	-	5,088	-	-
Over 120 days	-	1,106	-	-
	<u>668</u>	<u>11,409</u>	<u>697</u>	<u>-</u>

Retentions receivable

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Retentions receivable which:				
- will be recovered within twelve months	122,173	135,931	182,580	204,848
- will be recovered more than twelve months after the end of the reporting period	<u>47,667</u>	<u>73,799</u>	<u>145,223</u>	<u>122,031</u>
	<u>169,840</u>	<u>209,730</u>	<u>327,803</u>	<u>326,879</u>

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	5,218,430	6,207,687	8,265,714	7,379,368
Less: Progress billings	(4,647,306)	(5,783,899)	(7,465,735)	(6,831,455)
	<u>571,124</u>	<u>423,788</u>	<u>799,979</u>	<u>547,913</u>
Analysed for reporting purposes as:				
Amounts due from contract customers	607,345	535,319	879,076	670,138
Amounts due to contract customers	(36,221)	(111,531)	(79,097)	(122,225)
	<u>571,124</u>	<u>423,788</u>	<u>799,979</u>	<u>547,913</u>

The Group's retentions held by customers and advances received from customers for contract work are as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Retentions receivable for contract work				
External customers (included in retentions receivable and amounts due from related companies)	<u>175,685</u>	<u>221,159</u>	<u>327,822</u>	<u>326,879</u>
Advances received for contract work				
External customers (included in trade and other payables and amounts due to related companies)	<u>136,240</u>	<u>381,219</u>	<u>563,344</u>	<u>371,299</u>

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASHTHE GROUP AND THE COMPANY

The pledged bank deposits and bank balances carry interest at prevailing market interest rates.

Pledged bank deposits represent deposits pledged to secure bills payable and are therefore classified as current assets.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Group's pledged bank deposits amounting to HK\$5,767,000, HK\$8,449,000, HK\$32,648,000 and nil, respectively, and bank balances amounting to HK\$107,548,000, HK\$120,261,000, HK\$21,356,000 and HK\$12,037,000, respectively, are denominated in RMB which is not freely convertible into other currencies.

30. OTHER FINANCIAL LIABILITIES**Trade and other payables**

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 14 to 30 days.

	At 31 December		At 31 August	
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
Contract creditors and suppliers	304,638	310,482	501,666	389,032
Retentions payable	105,114	145,785	224,140	183,860
	<u>409,752</u>	<u>456,267</u>	<u>725,806</u>	<u>572,892</u>
Deposits received	169,673	387,286	563,712	382,953
Other payables	53,982	80,162	93,282	24,362
	<u>633,407</u>	<u>923,715</u>	<u>1,382,800</u>	<u>980,207</u>
Total	<u><u>633,407</u></u>	<u><u>923,715</u></u>	<u><u>1,382,800</u></u>	<u><u>980,207</u></u>

The aged analysis of contract creditors and suppliers is stated based on invoice date as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>THE GROUP</u>				
1-30 days	254,585	246,672	345,196	347,255
31-60 days	33,060	25,875	27,733	28,291
61-90 days	8,727	7,063	10,488	3,042
Over 90 days	8,266	30,872	118,249	10,444
	<u>304,638</u>	<u>310,482</u>	<u>501,666</u>	<u>389,032</u>
	<u><u>304,638</u></u>	<u><u>310,482</u></u>	<u><u>501,666</u></u>	<u><u>389,032</u></u>

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Group's retentions payable of HK\$32,060,000, HK\$73,660,000, HK\$116,059,000 and HK\$72,931,000, respectively, are expected to be paid after one year.

Bills payable

At the end of the reporting period, bills payable are repayable within 180 days and are secured by other receivables and pledged bank deposits set out in notes 27 and 29 respectively.

31. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

As at 31 December 2012, the amount was unsecured, interest-free, repayable on demand, except for HK\$80,000,000 which was interest bearing at 3% per annum and repayable within one year after 31 December 2012. The amount was fully settled during the year ended 31 December 2013.

32. BANK BORROWINGS

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Term loans – unsecured	66,646	76,208	112,430	109,388
Trust receipt loans – unsecured	47,758	–	6,389	38,194
	<u>114,404</u>	<u>76,208</u>	<u>118,819</u>	<u>147,582</u>
Carrying amount based on scheduled repayment date repayable:				
Within one year	69,993	54,033	96,319	140,082
More than one year, but not exceeding two years	22,236	22,175	22,500	7,500
More than two years, but not more than five years	22,175	–	–	–
	<u>114,404</u>	<u>76,208</u>	<u>118,819</u>	<u>147,582</u>
Less: Amounts due within one year shown under current liabilities	<u>69,993</u>	<u>54,033</u>	<u>96,319</u>	<u>147,582</u>
Amounts shown under non-current liabilities	<u>44,411</u>	<u>22,175</u>	<u>22,500</u>	<u>–</u>
Fixed-rate borrowings	–	31,797	254	–
Variable-rate borrowings	<u>114,404</u>	<u>44,411</u>	<u>118,565</u>	<u>147,582</u>
	<u>114,404</u>	<u>76,208</u>	<u>118,819</u>	<u>147,582</u>

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Group has variable-rate borrowings which bear interest at 1.80%, 1.80%, from 0.90% to 2.25% and from 0.90% to 2.35%, respectively, over HIBOR per annum and interest is repriced every one to three months. As at 31 December 2012, 2013, 2014 and 31 August 2015, the average effective interest rate (which is also equal to contracted interest rate) on the Group's bank loans is 2.06%, 3.54%, 1.85% and 1.97%, respectively, per annum.

The carrying amounts of the bank borrowings include an amount of HK\$7,500,000 as at 31 August 2015 which is not repayable within one year based on scheduled repayment dates has however been shown under current liabilities as the bank has discretionary rights to demand immediate repayment commencing on 15 February 2016.

The ranges of effective interest rates on the Group's borrowings are as follows:

	At 31 December			At 31 August
	2012	2013	2014	2015
Fixed-rate borrowings	–	5.60% to 6.00%	7.20%	–
Variable-rate borrowings	2.06%	2.01%	1.06% to 2.49%	1.05% to 2.59%

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax balances recognised and movements thereon during the Track Record Period:

	<i>HK\$'000</i>
<u>THE GROUP</u>	
At 1 January 2012	901
Exchange adjustments	2
Credit to profit or loss	316
	<hr/>
At 31 December 2012	1,219
Exchange adjustments	32
Effect of change in tax rate	(519)
Charge to profit or loss	200
	<hr/>
At 31 December 2013	932
Exchange adjustments	(2)
Charge to profit or loss	25
	<hr/>
At 31 December 2014	955
Disposal of a subsidiary (<i>Note 36(b)(ii)</i>)	(955)
	<hr/>
At 31 August 2015	–
	<hr/> <hr/>

Deferred taxation represents the temporary differences between the carrying amounts of the investment property situated in the PRC and the corresponding tax bases.

Under the EIT Law and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the Financial Information as the directors of the Company do not plan to declare dividends in the foreseeable future.

At 31 December 2012, 2013, 2014 and 31 August 2015, the Group had unused estimated tax losses of HK\$8,238,000, HK\$12,826,000, HK\$30,538,000 and HK\$21,780,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit streams. Included in unrecognised tax losses are HK\$540,000 and HK\$14,298,000 as at 31 December 2013 and 2014 that will expire in 2016 and 2019 respectively. At 31 December 2012, 2013, 2014 and 31 August 2015, the losses of HK\$8,238,000, HK\$12,286,000, HK\$16,240,000 and HK\$21,780,000, respectively, may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares	Share capital	
		USD	HK\$'000
Ordinary shares of USD1 each			
Authorised:			
At 1 January 2012, 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015	50,000	50,000	390
Issued and fully paid:			
At 1 January 2012, 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015	5,100	5,100	40

35. RESERVES OF THE COMPANY

	Share premium HK\$'000	Other reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2012	34,700	32,667	5,327	72,694
Profit for the year	-	-	52,538	52,538
Recognition of other service costs (Note 37)	-	933	-	933
Dividend paid (Note 14)	-	-	(56,000)	(56,000)
At 31 December 2012	34,700	33,600	1,865	70,165
Profit for the year	-	-	21,953	21,953
Dividend declared (Note 14)	-	-	(20,000)	(20,000)
At 31 December 2013	34,700	33,600	3,818	72,118
Profit for the year	-	-	11,907	11,907
At 31 December 2014	34,700	33,600	15,725	84,025
Profit for the period	-	-	439,141	439,141
Dividend declared (Note 14)	-	-	(450,000)	(450,000)
At 31 August 2015	34,700	33,600	4,866	73,166

36. DISPOSALS OF SUBSIDIARIES

(a) Disposal of KEEN VIRTUE GROUP LIMITED and TALENT STEP INVESTMENTS LIMITED

On 17 and 18 January 2012, the Company underwent a reorganisation and has entered into agreements with Rykadan Capital, to dispose of entire issued share capital of KEEN VIRTUE GROUP LIMITED and its subsidiaries (collectively refer to as the "Keen Virtue Group") and TALENT STEP INVESTMENTS LIMITED ("Talent Step") respectively, for a cash consideration of HK\$36,250,000.

The disposal was completed on 17 and 18 January 2012 and control of the Keen Virtue Group and Talent Step was passed to Rykadan Capital respectively. Upon the completion of the disposal, the Keen Virtue Group and Talent Step ceased to be subsidiaries of the Company.

	<i>HK\$'000</i>
Cash received as total consideration received	<u>36,250</u>

The net assets of Keen Virtue Group and Talent Step to be disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Interest in an associate	21,483
Properties under development for sales	764,406
Bank balances	1,752
Trade and other payables	(21,330)
Amount due to a fellow subsidiary	(184,888)
Amount due to ultimate holding company	(20,782)
Bank borrowings	(421,731)
Amounts due to non-controlling shareholders	<u>(94,770)</u>
Net assets disposed of	44,140
Non-controlling interests	(7,890)
Release of translation reserve upon disposal of subsidiaries	<u>(310)</u>
	35,940
Gain on disposal	<u>310</u>
Total consideration satisfied by cash	<u>36,250</u>
Net cash inflow arising on disposal:	
Cash consideration received	36,250
Bank balances disposed of	<u>(1,752)</u>
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>34,498</u>

(b) Disposals of interests in Sundart Beijing

- (i) On 15 November 2012, Jangho Co. contributed registered capital amounting to HK\$26,700,000 to Sundart Beijing which constituted a deemed disposal of the Group's 25% interest in Sundart Beijing.

The deemed disposal without losing the Group's control over Sundart Beijing was accounted for as an equity transaction. The difference between the cash consideration received of HK\$26,700,000 and 25% of net assets amounting to HK\$30,549,000 was HK\$3,849,000 which was recognised directly in equity as other reserves and attributable to owners of the Company.

- (ii) On 16 April 2015, the Group entered into a sale and purchase agreement with Jangho Hongkong to dispose of the Group's 50% interests in Sundart Beijing to Jangho Hongkong at a consideration of HK\$91,434,000. The transaction was completed on 24 April 2015 upon the government approval of such equity transfer. Thereafter, the Group retained only 25% equity interests of Sundart Beijing. The Group has determined that it has significant influence over Sundart Beijing, as it has the power to appoint one out of three directors of Sundart Beijing. The retained 25% equity interest in Sundart Beijing has been accounted for as an investment in an associate using the equity method of accounting since the date of disposal of 50% equity interests in Sundart Beijing.

The assets and liabilities disposed of in the transaction were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	10,784
Investment property	8,367
Other intangible assets	49
Amount due from a related company	19
Trade and other receivables	301,985
Bills receivable	2,155
Amounts due from customers for contract work	372,208
Retentions receivable	93,876
Tax recoverable	1,594
Pledged bank deposits	50,614
Bank balances and cash	20,735
Trade and other payables	(254,075)
Bills payable	(165,943)
Amounts due to customers for contract work	(56,398)
Amount due to ultimate holding company	(62,441)
Amounts due to fellow subsidiaries	(60,996)
Amount due to a non-controlling shareholder	(40,394)
Bank borrowings	(14,091)
Bank overdrafts	(25,329)
Deferred tax liabilities	(955)
	<u>181,764</u>

HK\$'000

Gain on disposal of a subsidiary:	
Cash consideration received	91,434
Less: Transaction costs and related tax	(2,310)
Add: Fair value of the retained 25% equity interest in Sundart Beijing	45,440
Less: Net asset disposed of	(181,764)
Add: Non-controlling interests	45,441
Release of translation reserve upon disposal	12,246
	<u>10,487</u>
Net cash inflow arising on disposal:	
Cash consideration	91,434
Bank overdrafts, net of bank balances and cash disposed of	4,594
	<u>96,028</u>

(c) Disposal of Elite Tech

On 29 June 2015, the Group has transferred its interest in Elite Tech, which holds the equity interest in Sundart Emirates, to Jangho Hongkong at a consideration of HK\$1.

The assets and liabilities disposed of in the transaction were as follows:

	HK\$'000
Other receivable	<u>13</u>
Loss on disposal:	
Net asset disposed of	(13)
Release of translation reserve upon disposal	2
	<u>(11)</u>

37. MAJOR NON-CASH TRANSACTIONS

Pursuant to the agreement dated 14 March 2009, Mr. Leung acquired 520 shares in the share capital of the Company, representing approximately 10.2% interest in the Company (the "Sale Shares"), from GOLDEN TIGER GROUP LIMITED ("Golden Tiger"), a then shareholder of the Company, at a consideration of HK\$26,875,000 ("Share Consideration"), which was determined based on and represented 10.2% of the net asset value of the Company as at 31 March 2009. Mr. Leung was also required to procure SPG and Dongguan Sundart to sell the Patents to the Group at a consideration of HK\$1,800,000 ("Patent Consideration"). According to the valuation conducted by an independent valuer, the fair values of the Sale Shares and the Patents are HK\$67,090,000 and HK\$8,415,000 respectively. The fair value of the Sale Shares was estimated using a combination of income and market approach while the fair value of the Patents was valued by replacement cost approach.

As a condition of the above transaction, Mr. Leung signed a service contract with the Company for three years and became a director of the Company and took the lead to develop the business of sourcing and distribution of interior decorative materials as well as to expand the interior fitting-out business to the Middle East.

The difference between the fair value of the Sale Shares of HK\$67,090,000 and Share Consideration of HK\$26,875,000 amounting to HK\$40,215,000 was allocated into two components for accounting purposes. The difference between the fair value of the Patents of HK\$8,415,000 and the Patent Consideration of HK\$1,800,000 amounting to HK\$6,615,000 represented contribution from the shareholder in respect of the Patents. The remaining balance of HK\$33,600,000 would be expensed over the three years' vesting period in accordance with the terms under the service contract with the Company and the share transfer arrangement between Golden Tiger and Mr. Leung. During the year ended 31 December 2012, HK\$933,000 was charged to profit or loss as other service costs.

38. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	14,171	13,707	16,356	11,073
In the second to fifth year inclusive	9,731	23,803	11,947	6,991
	<u>23,902</u>	<u>37,510</u>	<u>28,303</u>	<u>18,064</u>

Leases for rented premises are negotiated for a period of 1 to 7 years with fixed rental.

The Group as lessor

Property rental income earned during the years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August 2014 and 2015 was HK\$398,000, HK\$419,000, HK\$207,000, HK\$207,000 (unaudited) and nil, respectively. The Group's investment property with a carrying amount of HK\$7,399,000, HK\$8,394,000, HK\$8,366,000 as at 31 December 2012, 2013, 2014 respectively are held for rental purposes. The property has not been leased out since May 2014 and is disposed of through disposal of a subsidiary (note 36(b)(ii)) during the eight months ended 31 August 2015.

At the end of each reporting period, the Group had contracted with a tenant for the following future minimum lease payments:

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>138</u>	<u>108</u>	<u>—</u>	<u>—</u>

39. CAPITAL COMMITMENTS

	At 31 December		At 31 August	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>				
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the Financial Information	680	-	319	133

40. PERFORMANCE BONDS AND ADVANCE PAYMENT BONDS

THE GROUP

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Group has issued performance bonds and advance payment bonds in respect of supply and installation contracts through the banks amounting to HK\$190,779,000, HK\$647,933,000, HK\$1,352,576,000 and HK\$1,215,866,000 respectively. As at 31 December 2012 and 2013, two bonds were secured by pledge of other receivables set out in note 27.

41. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of a specified amount or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

Eligible employees in Macau currently participate in a defined contribution pension scheme operated by the local government which is a fixed amount for each employee.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year/period, the Group has made contributions to retirement benefit schemes as follows:

	Year ended 31 December			Eight months ended	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>THE GROUP</u>					
Continuing operations					
Contributions paid and payable	6,211	6,948	6,667	4,446	4,958
Less: Capitalised to contract costs	(1,963)	(2,115)	(1,874)	(1,416)	(1,634)
	<u>4,248</u>	<u>4,833</u>	<u>4,793</u>	<u>3,030</u>	<u>3,324</u>
Discontinued operations					
Contributions paid and payable	1,894	4,648	7,125	4,097	1,783
Less: Capitalised to contract costs	(286)	(2,276)	(3,363)	(2,232)	(1,051)
	<u>1,608</u>	<u>2,372</u>	<u>3,762</u>	<u>1,865</u>	<u>732</u>

42. RELATED PARTY TRANSACTIONS

Apart from amount due from an associate, the amounts due from/to related companies, amounts due from/to group companies and amount due to a non-controlling shareholder as set out in notes 23, 25, 26 and 31 respectively and the disposals of subsidiaries and an associate in notes 36 and 23 respectively, the Group had entered into the following significant transactions with its related companies and group companies:

Relationship	Transaction	Year ended 31 December			Eight months ended 31 August	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Continuing operations						
A related company* and its subsidiaries	Rent and rates and building management fee expense	-	62	-	-	366
	Interest expenses	1,243	233	-	-	-
	Management fee expense	6,316	-	-	-	-
	Management fee income	-	286	418	304	304
	Guarantee fee expenses	359	-	-	-	-
	Revenue from trading of interior decorative materials	-	-	71	-	-
	Purchase of materials	3,328	-	-	-	445
	Interest income	81	-	-	-	-
	Consultancy fee income	900	-	-	-	-
	Revenue from fitting-out works	-	-	5,632	5,632	2,398
	Revenue from alteration and addition and construction works	90,308	156,578	16,113	4,119	-
		<u>90,308</u>	<u>156,578</u>	<u>16,113</u>	<u>4,119</u>	<u>-</u>
A fellow subsidiary	Supply and installation of window and louver systems	-	-	6,240	2,107	14,064
	Purchase of materials	26,458	-	-	-	-
		<u>26,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
An associate	Interest income	-	-	-	-	91
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>
Discontinued operations						
Ultimate holding company	Services fee expenses on curtain wall installation	24,757	-	-	-	-
	Revenue from fitting-out works	-	-	189	-	-
		<u>-</u>	<u>-</u>	<u>189</u>	<u>-</u>	<u>-</u>
A related company	Revenue from fitting-out works	-	-	369	-	-
		<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>-</u>
A fellow subsidiary	Interest expenses	-	-	-	-	700
	Revenue from fitting-out works	-	-	239	239	-
		<u>-</u>	<u>-</u>	<u>239</u>	<u>239</u>	<u>-</u>
A subsidiary of an associate	Revenue from fitting-out works	-	-	631	-	379
		<u>-</u>	<u>-</u>	<u>631</u>	<u>-</u>	<u>379</u>

* The related company refers to Rykadan Capital, of which Chief Executive of the Company, Mr. Ng Tak Kwan, is the substantial shareholder. Rykadan Capital was previously the ultimate holding company and the non-controlling shareholder of the Company.

In the opinion of the directors of the Company, the above related party transactions, except for (i) the supply and installation of window and louver system from the fellow subsidiary, which is expected to be substantially completed by March 2016, and (ii) revenue from fitting-out works from the related company, will be discontinued upon listing of the shares of the Company on the Stock Exchange.

In addition,

- (a) as at 31 December 2013 and 2014, the Group had outstanding advance payment bonds amounting to HK\$49,700,000 and HK\$49,700,000, respectively, issued in favour of a customer of a fellow subsidiary through a bank.
- (b) as at 31 December 2012, 2013 and 2014, the ultimate holding company had outstanding performance bonds, advance payment bonds and tender bonds amounting to HK\$41,904,000, HK\$133,012,000 and HK\$65,838,000, respectively, issued in favour of customers of the Group through a bank.
- (c) as at 31 December 2013, the Company and its subsidiaries guaranteed the banking facilities of its immediate holding company, the guarantee was released during the year ended 31 December 2014 (note 43).
- (d) the Group's banking facilities were guaranteed by the following related parties. The Group did not pay any charges for all guarantee granted.

At 31 December 2012	Jangho Co. and Rykadan Capital
At 31 December 2013 and 2014	Jangho Co., Jangho Hongkong, Mr. Liu Zaiwang and his spouse
At 31 August 2015	Jangho Hongkong, Mr. Liu Zaiwang and his spouse

In the opinion of the directors of the Company, the above mentioned guarantees will be released upon the listing of the shares of the Company on the Stock Exchange.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the Track Record Period is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Salaries and short-term benefits	13,270	20,058	25,436	19,549	21,773
Post-employment benefits	186	366	288	227	235
	<u>13,456</u>	<u>20,424</u>	<u>25,724</u>	<u>19,776</u>	<u>22,008</u>

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of individuals and the Group.

43. CONTINGENT LIABILITIESTHE GROUP

During the year ended 31 December 2013, Sundart Beijing (which was ceased to be a subsidiary of the Company with effect from 24 April 2015) has engaged into a construction contract of approximately RMB123,000,000 (approximately HK\$155,919,000) with a customer and up to 24 April 2015, RMB25,915,000 (approximately HK\$32,851,000) has been received. In March 2015, the customer alleged discrepancies and claimed for compensation amounting to RMB9,010,000 (approximately HK\$11,421,000) and requested the court to order the bank deposits of the Group amounting to RMB9,010,000 to be judicially frozen. In connection with this lawsuit, the Group has written off amounts due from customers for contract works amounting to HK\$13,568,000 as at 31 December 2014. In the opinion of the directors of the Company, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability has been made in the Financial Information.

As at 31 December 2013, the Company and certain of its subsidiaries and Jangho Hongkong had issued cross guarantees to a bank in respect of banking facilities granted to the Company's subsidiaries and Jangho Hongkong. As at 31 December 2013, the aggregate amount of the banking facilities is HK\$677,549,000, of which HK\$637,796,000 has been utilised by Jangho Hongkong. The Company had provided guarantee amount of HK\$300,000,000, while the Company's subsidiaries and Jangho Hongkong had provided unlimited guarantee in respect of these banking facilities. Such guarantees were released during the year ended 31 December 2014 (note 42(c)).

THE COMPANY

Save for the above, as at 31 December 2012, 2013, 2014 and 31 August 2015, the Company has issued financial guarantees to banks in respect of banking facilities granted to the subsidiaries. As at 31 December 2012, 2013, 2014 and 31 August 2015, the aggregate amount of those banking facilities (including performance bonds and advance payment bonds) is HK\$351,647,000, HK\$829,411,000, HK\$1,367,175,000 and HK\$1,233,074,000, respectively, of which HK\$213,646,000, HK\$228,786,000, HK\$745,651,000 and HK\$708,563,000, respectively, has been utilised by the subsidiaries at 31 December 2012, 2013, 2014 and 31 August 2015.

The directors of the Company consider that the fair values of these financial guarantee contracts at their initial recognition and the carrying amount at 31 December 2012, 2013, 2014 and 31 August 2015 are insignificant and of low applicable default risk. Accordingly, the Company has not recognised any liability in the Financial Information in relation to the abovementioned guarantees.

44. JOINT OPERATION

The Group has a joint operation, namely Sundart APG Consortium. The Group has shared its portion of scope of works in the business to operate construction project, building design and consulting, related activities for the supply and installation of construction materials and products. The Group is entitled to the project income received HK\$23,643,000, HK\$11,975,000 (unaudited) and HK\$50,938,000 for the year ended 31 December 2014 and the eight months ended 31 August 2014 and 2015 respectively, and bears a 50% share of the administrative expenses of the joint operation.

45. NON-CONTROLLING INTERESTS

The table below shows details of Sundart Beijing, which the non-controlling shareholder holds 25% of the equity interest therein, that have material non-controlling interests:

	Year ended 31 December			Eight months ended 31 August	
	2012*	2013	2014	2014	2015*
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit allocated to non-controlling interests	(265)	5,590	814	1,084	(279)
Other comprehensive income allocated to non-controlling interests	80	1,053	396	43	3
Contribution from non-controlling interests as capital injection	–	–	7,500	–	–
Accumulated non-controlling interests	30,364	37,007	45,717	38,134	–

Summarised consolidated financial information in respect of Sundart Beijing is set out below. The summarised consolidated financial information below represents amounts before intragroup eliminations.

	At 31 December		
	2012*	2013	2014
	HK\$'000	HK\$'000	HK\$'000
Current assets	314,904	595,100	665,356
Non-current assets	7,232	9,957	18,603
Current liabilities	(200,678)	(457,028)	(500,137)
Non-current liabilities	–	–	(955)
Equity attributable to shareholders of Sundart Beijing	121,458	148,029	182,867

	Year ended 31 December			Eight months ended 31 August	
	2012*	2013	2014	2014	2015*
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	326,986	854,312	1,112,328	770,660	338,029
Expenses	(324,429)	(831,951)	(1,109,074)	(766,325)	(339,144)
Profit (loss) for the year/period	2,557	22,361	3,254	4,335	(1,115)
Other comprehensive (expense) income	(81)	4,210	1,584	172	12
Total comprehensive income (expense) for the year/period and attributable to shareholders of Sundart Beijing	2,476	26,571	4,838	4,507	(1,103)
Net cash (used in) from operating activities	(50,030)	6,524	(67,011)	(36,717)	(89,500)
Net cash from (used in) investing activities	9,060	(10,446)	(29,847)	(18,620)	(19,428)
Net cash from (used in) financing activities	24,451	45,547	1,690	(28,652)	85,731
Net cash (outflow) inflow	(16,519)	41,625	(95,168)	(83,989)	(23,197)

* Sundart Beijing has become a 75% owned indirect subsidiary of the Company with effective from 15 November 2012 (note 36(b)(i)). Prior to that, Sundart Beijing was a wholly-owned indirect subsidiary of the Company.

Sundart Beijing ceased to be a subsidiary of the Group following the disposal of another 50% equity interest on 24 April 2015.

B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate amount of the directors' remuneration for the year ending 31 December 2015, excluding discretionary incentive payments, is estimated to be approximately HK\$11,000,000.

Saved as disclosed herein, no remuneration has been paid or is payable by the Group to the directors of the Company or any of its subsidiaries during the Track Record Period.

C. SUBSEQUENT EVENTS

The following events took place subsequent to 31 August 2015:

- (a) On 1 September 2015, the Company increased its authorised shares to an unlimited number comprising shares of USD1 par value each. On 7 September 2015, the Company further amended its authorised shares by a further amendment of its memorandum of association to an unlimited number comprising shares of no par value.

- (b) On 1 December 2015, written resolutions of the sole shareholder of the Company was passed to approve the matters set out in “Appendix IV — A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015” to the Prospectus. It was resolved, among other things, conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board of the Stock Exchange, the shares in issue and to be issued as mentioned in the Prospectus; and (ii) the obligations of the underwriting agreements in relation to the global offering of the shares of the Company (the “Underwriting Agreements”) becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the rules of the share option scheme were conditionally approved and adopted, and the directors of the Company or any committee thereof established by the board of directors of the Company were authorised, at their sole discretion, to grant options to subscribe for the ordinary shares of the Company under the share option scheme and to allot and issue the ordinary shares of the Company pursuant to the exercise of options granted under the share option scheme and to take such action as they consider necessary, expedient or desirable to implement the share option scheme. (The principal terms of the share option scheme are summarised in the section headed “D. Share Option Scheme” in Appendix IV to the Prospectus); and
 - (ii) conditional on the Company having sufficient distributable reserves arising from the issue of 500,000,000 new shares, the directors of the Company were authorised to capitalise HK\$14,999,949 standing to the credit of any reserves account of the Company and to apply such amount in paying up in full 1,499,994,900 shares of the Company for allotment and issue to the sole shareholder of the Company whose name was on the register of members of the Company as at the close of business on the date of the Prospectus (or as the sole shareholder of the Company may direct) (the “Capitalisation Issue”) and so that the shares of the Company to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects (save and except for the Capitalisation Issue) with the existing ordinary shares of the Company in issue and the directors of the Company were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents in relation thereto.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 31 August 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 December 2014 and the eight months ended 31 August 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this Prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 31 August 2015.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 August 2015 or any future date following the Global Offering.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 August 2015 as derived from the consolidated statement of financial position as at 31 August 2015 of the Group as set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 31 August 2015⁽¹⁾ HK\$'000	Estimated net proceeds from the Global Offering⁽²⁾ HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share⁽³⁾ HK\$
Based on a minimum Offer Price of HK\$1.30 per Offer Share	656,878	588,047	1,244,925	0.62
Based on a maximum Offer Price of HK\$1.45 per Offer Share	656,878	660,041	1,316,919	0.66

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 August 2015 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 31 August 2015 of HK\$658,688,000 as set out in Appendix I to this Prospectus after deducting goodwill of HK\$1,510,000 and other intangible assets of HK\$300,000.
- (2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued at a minimum Offer Price of HK\$1.30 or a maximum Offer Price of HK\$1.45 per Offer Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred by the Group subsequent to 31 August 2015 and does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived on the basis of 2,000,000,000 Shares in issue, assuming that 1,999,994,900 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 31 August 2015. It does not take into account of any Offer Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2015.

B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF SUNDART HOLDINGS LIMITED
承達集團有限公司**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SUNDART HOLDINGS LIMITED 承達集團有限公司 (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 August 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the Prospectus issued by the Company dated 11 December 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at 31 August 2015 as if the Global Offering had taken place at 31 August 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2014 and the eight months ended 31 August 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation

of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 December 2015

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
BVI COMPANIES ACT**

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

Our Company was incorporated in the British Virgin Islands on 21 May 2001 as an International Business Company, governed by the International Business Companies Act (Cap 291), and was automatically re-registered as a BVI Business Company with limited liability on 1 January 2007 under the BVI Business Companies Act, as amended (the “BVI Companies Act”). Our Company gave notice to disapply Part IV of Schedule 2 of the BVI Business Companies Act on 11 August 2015.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other British Virgin Islands legislation, our Company has, irrespective of corporate benefit:
 - a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - b. for the purposes of paragraph (a), full rights, powers and privileges.
- (b) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares of our Company respectively held by them.
- (c) Our Company is authorised by the Memorandum to issue an unlimited number of shares with no par value.

2. ARTICLES OF ASSOCIATION

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the BVI Companies Act and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by an amendment to the Memorandum determine. Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the rules of the Designated Stock Exchange, and any direction that may be given

by our Company in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that where our Company has shares that carry a par value, no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

Our Directors may sell, transfer, secure, exchange or otherwise dispose of the assets of our Company without authorisation by the members. Our Directors may also exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the BVI Companies Act to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditors of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the BVI Companies Act and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he or any of his close associates has a material interest but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transaction, arrangement or proposal for giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the Director or his close associate(s) is/are interested in the same manner as other holders of

shares or debentures or other securities of our Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of our Company; or

- (ee) any proposal concerning the adoption, modification or operation of a share option scheme under which the Director or his close associate(s) may benefit, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, their close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other

benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting one-third of our Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between our Company and such Director (but without prejudice to any claim for damages under any such agreement). Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated if the Director:

- (aa) resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) without special leave of absence from the board, is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) is prohibited from being a Director by law;
- (ff) ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the BVI Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The rights of our Directors to exercise these powers may only be varied by amending the Articles.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Articles provide that our Company will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of our Company. Under BVI law, an amendment to the Memorandum or Articles has effect from the date that the notice of amendment or restated memorandum or articles of association incorporating the amendment is registered by the BVI Registrar of Corporate Affairs.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution amend the Memorandum to increase or reduce the maximum number of shares that our Company is authorised to issue, or to authorise our Company to issue an unlimited number of shares.

Subject to the Memorandum and these Articles, our Company may by ordinary resolution:

- (i) combine its shares, including issued shares, into a smaller number of shares; or
- (ii) sub-divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and our Company shall not divide its shares if it would cause the maximum number of shares that our Company is authorised to issue to be exceeded.

Our Company may by an amendment to the Memorandum divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions as may be determined by our Company provided always that where our Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting

rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

(d) Variation of rights of existing shares or classes of shares

Subject to the BVI Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value or of the total number of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value or of the total number of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days’ notice and not less than ten (10) clear business days’ notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days’ notice and not less than ten (10) clear business days’ notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting, a resolution put to the vote of a meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company shall be held in each year other than the year of our Company's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office of our Company or, at such other place or places as the board decides and shall always be open to inspection by our Directors. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting.

A printed copy of our Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of our Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before our Company at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address our Company is not aware of or to more than one of the joint holders of any shares or debentures.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the British Virgin Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business

days. All other extraordinary general meetings shall be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value or of the total number of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;
- (b) consideration and adoption of the accounts and balance sheet and the reports of our Directors and Auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors whether by rotation or otherwise in the place of those retiring;
- (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
- (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to our Directors;
- (f) the granting of any mandate or authority to our Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of our Company representing not more than twenty per cent. (20%) in nominal value of its existing issued Shares; and
- (g) the granting of any mandate or authority to our Directors to repurchase securities of our Company.

(j) Transfer of shares

Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of our Company shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of our Company or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to our Company on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Subject to the BVI Companies Act, the Memorandum and the Articles, our Company shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that our Company purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

(l) Power for any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the BVI Companies Act, our Company in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may recommend and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of our Company's assets exceeds its liabilities and our Company is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the Shares of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a Member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Forfeiture of shares

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued and the requirements of the notice have not been complied with, the directors by Resolution of Directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any Share has been forfeited, Notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

The board may accept the surrender of any Share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a Director or the Secretary that a Share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share, and such declaration shall (subject to the execution of an instrument of transfer by our Company if necessary) constitute a good title to the Share, and the person to whom the Share is disposed of shall be registered as the holder of the Share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the Share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the Share. When any Share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

(p) Inspection of share register

Unless closed in accordance with the Articles, the Register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the board, at the registered office of our Company or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the board at the office where the branch register of members of our Company is kept. The register of members of our Company including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

(q) Quorum for meetings and separate class meetings

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Untraceable members

Our Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Our Company shall have the power to sell, in such manner as the board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) our Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the BVI Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of

properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of properties to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

3. BRITISH VIRGIN ISLANDS COMPANY LAW

Our Company is incorporated in the British Virgin Islands subject to the BVI Companies Act and, therefore, operates subject to British Virgin Islands law. Set out below is a summary of certain provisions of British Virgin Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of British Virgin Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

Under the BVI Companies Act there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;
- (ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii) the right to an equal share in the distribution of the surplus assets of the company.

Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, a company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.

Subject to the company's memorandum and articles of association, a company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options, warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum of association. Subject to its memorandum and articles, a company may issue a class of shares in one or more series.

(b) Financial assistance to purchase shares of a company or its holding company

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, *irrespective of corporate benefit* full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including, among other things, the giving of financial assistance to any person in connection with the acquisition of its own shares.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may purchase, redeem or otherwise acquire its own shares in accordance with either the procedures set out in Sections 60, 61 and 62 of the BVI Companies Act or such other provisions for the purchase, redemption or acquisition of its own shares as may be specified in its memorandum and articles. Sections 60, 61 and 62 do not apply to a company to the extent that they are negated, modified or inconsistent with provisions for the purchase, redemption or acquisition of its own shares specified in the company's memorandum and articles. The Articles expressly provide that such provisions shall not apply to our Company.

Subject to its memorandum or articles of association, a company may purchase, redeem or otherwise acquire its own shares. The acquired shares may be cancelled or held as treasury shares. However, no such acquisition will be permitted unless the directors determine that immediately after the acquisition (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due. A determination by the directors is, however, not required:

- (a) where shares are purchased, redeemed or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;

- (b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or
- (c) pursuant to an order of the BVI court.

A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares; (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share. Treasury shares may be transferred by the company and the provisions of the BVI Companies Act, the memorandum and articles that apply to the issue of shares apply to the transfer of treasury shares.

Under BVI law, a subsidiary may hold shares in its holding company.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

(d) Protection of minorities

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i) **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
 - (aa) bring proceedings in the name and on behalf of that company; or

- (bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
 - (aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
 - (bb) requiring the company or any other person to pay compensation to the member;
 - (cc) regulating the future conduct of the company's affairs;
 - (dd) amending the memorandum or articles of association of the company;
 - (ee) appointing a receiver of the company;
 - (ff) appointing a liquidator of the company under section 159(1) of the Insolvency Act;
 - (gg) directing the rectification of the records of the company; and
 - (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.
- (iv) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
 - (aa) as to the control and conduct of the proceedings;
 - (bb) as to the costs of the proceedings; and
 - (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;
- (ii) a consolidation;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
 - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;
 - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or
 - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and
- (v) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

(e) Dividends and distributions

A company may declare and make a distribution (which term includes a dividend), provided that the directors are satisfied that immediately after the payment of the dividend, (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

(f) Management

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in, the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members. The Articles expressly provide that notwithstanding the foregoing requirement of the BVI Companies Act, the directors may dispose assets of our Company without the disposition being authorised by the members at a general meeting.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Amendment of constitutional document

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;
- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and
- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
BVI COMPANIES ACT**

Where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (i) a notice of amendment in the approved form; or
- (ii) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

(h) Accounting requirements

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the BVI.

(j) Loans to and transactions with directors

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

A director of a company is not required to disclose an interest if:

- (i) the transaction or proposed transaction is between the director and the company; and
- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

(k) Taxation in the BVI

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(l) Stamp duty on transfer

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

(m) Inspection of corporate records

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, *inter alia*, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors shall, as soon as reasonably practicable, notify a member of any exercise of such powers. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company shall keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the office of the BVI registered agent of the company or at such other place as the directors determine.

A company is required to keep a register of members containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The entry of the name of a person in the register of members as a holder of a share in a company is *prima facie* evidence that legal title in the shares vests in that person. Where a company keeps a copy of the register of members at its registered office, it shall within 15 days of any change in the register, notify the BVI registered agent of the company, in writing, of the change, and provide the BVI registered agent of the company with a written record of the physical address of the place or places at which the original register of members is kept.

A company is required to keep a register to be known as a register of directors containing, *inter alia*, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

(n) Winding up

The court has authority under the Insolvency Act 2003 of the BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of the company's assets equals or exceeds its liabilities; and

- (ii) approve a liquidation plan specifying:
 - (aa) the reasons for the liquidation of the company;
 - (bb) their estimate of the time required to liquidate the company;
 - (cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
 - (dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
 - (ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of \$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator or two or more joint voluntary liquidators may be appointed in respect of a company:

- (i) by a resolution of the directors; or
- (ii) by a resolution of the members.

(i) Reconstructions

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

(j) Compulsory acquisition

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote or a merger or consolidation may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(k) Indemnification

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime.) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on British Virgin Islands law, have sent to our Company a letter of advice summarising certain aspects of British Virgin Islands company law. This letter, together with a copy of the BVI Companies Act, is available for inspection as referred to in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection — B. Documents Available for Inspection" in this Prospectus. Any person wishing to have a detailed summary of British Virgin Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation and registration of our Company under Part XI of the Predecessor Companies Ordinance**

Our Company was incorporated in BVI on 21 May 2001 as an international business company, governed by the International Business Companies Act (Cap 291) and was automatically re-registered as a BVI business company with limited liability on 1 January 2007 under the BVI Companies Act. Our Company has established a principal place of business in Hong Kong at 25/F, Millennium City 3, 370 Kwun Tong Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Predecessor Companies Ordinance on 14 October 2003. In connection with such registration, our Company has appointed Mr. Xie Jianyu of Flat C, 49/F, Block 3, La Cite Noble, Tseung Kwan O, New Territories, Hong Kong as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the BVI, our operation is subject to the relevant laws of the BVI and our constitution which comprises the Memorandum and the Articles. A summary of various provisions of our Company's constitution and relevant aspects of the BVI Companies Act is set out in Appendix III to this Prospectus.

2. Changes in shares of our Company

As at the date of incorporation, the authorised share capital of our Company was US\$50,000 divided into 50,000 Shares with a nominal value of US\$1.00 each.

On 11 August 2015, pursuant to written resolutions of Reach Glory, the sole Shareholder of our Company, our Company disappplied Part IV of Schedule 2 of the BVI Companies Act and immediately after the disapplication, our Company was authorised to issue up to 50,000 shares of US\$1.00 par value each.

On 1 September 2015, our Company increased its authorised shares to an unlimited number comprising shares of US\$1.00 par value each and no par value shares by an amendment of its memorandum of association. On the same day, our Company repurchased the then existing 5,100 shares of par value of US\$1.00 each in issue for a consideration of US\$5,100, and 5,100 new Shares of no par value were issued to Reach Glory, for a consideration of US\$5,100.

On 7 September 2015, our Company further amended its authorised shares by a further amendment of its memorandum of association to an unlimited number comprising shares of no par value only.

Assuming that the Global Offering becomes unconditional and the issues of the Shares pursuant to the Global Offering and the Capitalisation Issue mentioned herein are made, but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the number of Shares in issue of our Company will be 2,000,000,000 Shares, all fully paid or credited as fully paid. Other than pursuant to any options which may be granted under the Share

Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue shares referred to in “— A. Further information about our Company — 3. Written resolutions of our Shareholder passed on 1 December 2015”, there is no present intention to issue any Shares and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholder passed on 1 December 2015

On 1 December 2015, written resolutions of our Shareholder were passed, pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and Articles;
- (b) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued as mentioned in this Prospectus; and (ii) the obligations of the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) conditional on our Company having sufficient distributable reserves arising from the issue of the Offer Shares by our Company as a result of the Global Offering, the Directors were authorised to capitalise HK\$14,999,949 standing to the credit of any reserves account of our Company and to apply such amount in paying up in full 1,499,994,900 Shares for allotment and issue to the sole shareholder of our Company whose name was on the register of members of our Company as at the close of business on the date of this Prospectus (or as the sole shareholder of our Company may direct) (the “**Capitalisation Issue**”) and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects (save and except for the Capitalisation Issue) with the existing Shares in issue and the Directors were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents in relation thereto;
 - (ii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to grant options to subscribe for the Shares under the Share Option Scheme and to allot and issue the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Share Option Scheme;

- (iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this Prospectus and in the relevant Application Forms;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and deal with such number of Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by the shareholders of our Company in general meeting) with an aggregate number of Shares of not more than 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme);
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase such number of Shares (Shares which may be listed on the Stock Exchange) with an aggregate number of Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the Capitalisation Issue and Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) (the “**Share Repurchase Mandate**”);
- (vi) the general unconditional mandate as mentioned in paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the Share Repurchase Mandate (up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering) (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and
- (vii) each of the general mandate as referred to in paragraph (iv) above and the Share Repurchase Mandate will remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;

- (ii) the expiration of the period within which our Company is required by any applicable laws or the Articles of Association to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of the shareholders of our Company in a general meeting.

4. Corporate reorganisation

The members of our Group underwent the Reorganisation to rationalise the business and the structure of our Group in anticipation of the Placing. See “History, Development and Reorganisation” of this Prospectus for details on the steps involved in the Reorganisation.

5. Changes in share capital of subsidiaries of our Company

Our Company’s subsidiaries are referred to in the accountants’ report for our Company, the text of which is set out in Appendix I to this Prospectus. Save as disclosed in this Prospectus, there has been no other change to the share capital of the subsidiaries of our Company within two years preceding the date of this Prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information relating to the repurchase of securities, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(a) Regulations of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholder’s Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our Shareholder passed on 1 December 2015, the Share Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares as described above in “Further information about our Company — Written resolutions of our Shareholder passed on 1 December 2015”.

(ii) Source of Funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the BVI.

(b) *Exercise of the Share Repurchase Mandate*

Exercise in full of the Share Repurchase Mandate, on the basis of 2,000,000,000 Shares in issue immediately after completion of the Global Offering (but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), could accordingly result in up to 200,000,000 Shares being repurchased by our Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company in a general meeting.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) *Funding of repurchases*

In repurchasing securities, our Company will only apply funds legally available for such purposes in accordance with the Memorandum, the Articles and the applicable laws and regulations of the BVI. Any purchase by our Company may only be made if the value of our Company's assets exceeds its liabilities and our Company is able to pay its debts as they fall due. Our Company shall not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

(e) *General*

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this Prospectus) in the event that the Share Repurchase Mandate were to be exercised in full at any time during the proposed purchase period. However, our Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse impact on the working capital or on the gearing position of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the BVI and the Memorandum and Articles.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention, in the event that the Share Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell any Shares to our Company or has undertaken not to do so, in the event that the Share Repurchase Mandate is exercised.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence which would arise under the Takeovers Code as a result of a repurchase of Shares upon exercise of the Share Repurchase Mandate made immediately after the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this Prospectus which are or may be material:




- (a) the share transfer agreement dated 16 April 2015 entered into among Sundart Timber, Jangho HK and Jangho Co., pursuant to which Sundart Timber transferred its 50% equity interests in Sundart Beijing to Jangho HK for a consideration of HK\$91,433,512;
- (b) the share transfer agreement dated 15 June 2015 entered into among Sundart Timber, Jangho HK and Jangho Co., pursuant to which Sundart Timber transferred its 25% equity interests in Sundart Beijing to Jangho HK for a consideration of HK\$45,716,756;
- (c) the instrument of transfer and bought and sold notes all dated 29 June 2015 entered into between Sundart Investments and Jangho HK, pursuant to which Sundart Investments transferred one share in Elite Tech to Jangho HK for a consideration of HK\$1.0;


- (d) the Trademark License Agreement;
- (e) the Deed of Non-Competition;
- (f) the Deed of Indemnity;
- (g) the cornerstone investment agreement dated 7 December 2015 entered into among our Company, Beijing Hualian Department Store Co., Ltd. (北京華聯商廈股份有限公司) (“**Beijing Hualian**”) and the Sole Global Coordinator, pursuant to which Beijing Hualian conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) at the Offer Price for such number of our Shares which may be purchased with the amount of HK\$100.0 million, rounded down to the nearest whole board lot of 2,000 Shares;
- (h) the cornerstone investment agreement dated 7 December 2015 entered into among our Company, Infinitus Limited (“**Infinitus**”) and the Sole Global Coordinator, pursuant to which Infinitus conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) at the Offer Price for such number of our Shares which may be purchased with the amount of HK\$123.0 million, rounded down to the nearest whole board lot of 2,000 Shares;
- (i) the cornerstone investment agreement dated 7 December 2015 entered into among our Company, China Deyuan Capital Limited (“**China Deyuan**”) and the Sole Global Coordinator, pursuant to which China Deyuan conditionally agreed to subscribe (or through one of its wholly owned subsidiaries to subscribe) at the Offer Price for such number of our Shares which may be purchased with the amount of HK\$100.0 million, rounded down to the nearest whole board lot of 2,000 Shares; and
- (j) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Company had registered the following trademarks which are material in relation to our business:

Trademark	Class	Place of registration	Registration number	Date of registration	Expiry date
Sundart 承達	19, 20	Hong Kong	200212997AA	15 May 2002	15 May 2019
A 	19, 20	Hong Kong	300125685	11 December 2003	10 December 2023
B 					
	42	PRC	3903264	7 October 2006	6 October 2016

Trademark	Class	Place of registration	Registration number	Date of registration	Expiry date
	37	PRC	3903265	7 October 2006	6 October 2016
Sundart 承遠	20	PRC	3192553	21 March 2004	20 March 2024
Sundart 承遠	19	PRC	3192554	28 August 2003	27 August 2023
	20	PRC	12821644	7 December 2014	6 December 2024
	19	PRC	12821645	14 December 2014	13 December 2024

(b) Patent

As at the Latest Practicable Date, our Group had been granted the following material patents:

Patent description	Registered owner(s)	Place of registration	Patent number	Grant date	Expiry date
A Decorative Trim Molding	Dongguan Sundart	PRC	ZL 201220729474.6	9 October 2013	8 October 2023
A Decorative Trim Molding	Sundart Products	Hong Kong	HK1195708	14 November 2014	26 August 2018

As at the Latest Practicable Date, our Group had applied for the following material patents:

Patent description	Applicant	Place of application	Application number	Date of application
Decorative Trim Molding and Fixing Method	Sundart Products	Hong Kong	13109318.1	26 December 2012

(c) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
www.sundart.com	Company	21 June 2006	8 July 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interest and short positions of our Directors in the Shares of our Company and our associated corporations following the Global Offering and the Capitalisation Issue

Immediately following completion of the Capitalisation Issue and Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and the chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Long positions in our Company

Name of Director	Nature of Interest/Capacity	Immediately after completion of the Capitalisation Issue and the Global Offering	
		Number of Shares held	Approximate percentage of shareholding
Mr. Liu (<i>Note</i>)	Beneficial owner	1,500,000,000	75%

Note:

Jangho Co. is approximately 27.35% beneficially owned by Beijing Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 24.70% beneficially owned by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the Shares indirectly held by Jangho Co. through Jangho HK and Reach Glory under the SFO.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service agreement with our Company. The terms and conditions of each of such service agreements are similar in all material respects. The service agreements are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of our Directors regarding the amount of the annual remuneration and the discretionary bonus payable to him.

The current basic annual remuneration of the executive Directors are as follows (subject to annual review at the discretion of the Board and excluding the discretionary bonus):

Name	Annual remuneration (HK\$'000)
Mr. NG Tak Kwan	HK\$2,040
Mr. LEUNG Kai Ming	HK\$2,040
Mr. XIE Jianyu	HK\$1,080
Mr. NG Chi Hang	HK\$1,164
Mr. PONG Kam Keung	HK\$1,596

Our non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Our non-executive Director and each of the independent non-executive Directors are appointed with an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. The annual remuneration payable to our non-executive Director and our independent non-executive Directors under each of the letters of appointment are as follows:

Name	Annual remuneration
Mr. LIU Zaiwang	HK\$600,000 as non-executive Director
Mr. TAM Anthony Chun Hung	HK\$240,000 as independent non-executive Director
Mr. HUANG Pu	HK\$240,000 as independent non-executive Director
Mr. LI Zheng	HK\$240,000 as independent non-executive Director

Save as disclosed above, none of our Directors has entered into or has proposed to enter into any service agreement with our Company or any of our subsidiaries (other than

agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of Directors*

Our Company's policies concerning remuneration of executive Directors are:

- (1) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director; and
- (2) our executive Directors may be granted, at the discretion of the Board, share options of our Company, as part of the remuneration package.
 - (i) The aggregate remuneration paid by our Group to our Directors in respect of each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the eight months ended 31 August 2015 were approximately HK\$2.9 million, HK\$6.6 million, HK\$6.2 million and HK\$7.6 million respectively.
 - (ii) Save as disclosed in the accountants' report set out in Appendix I to this Prospectus, no Directors received any remuneration or benefits in kind from our Group for each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the eight months ended 31 August 2015.
 - (iii) None of our Company's Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the eight months ended 31 August 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
 - (iv) Under the arrangements currently in force, conditional upon the Listing, the estimated aggregate remuneration (excluding discretionary incentive payments) payable by our Group to our Directors for the financial year ending 31 December 2015 is expected to be approximately HK\$11.0 million.

2. Substantial Shareholders

Interests and short positions of the substantial shareholders of our Company in the Shares or underlying shares of our Company

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and Global Offering (taking no account of any Shares which may be

issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the persons who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of our Company are as follows:

Long positions in our Company

Name of shareholder	Nature of interest/ Capacity	Immediately after completion of the Capitalisation Issue and the Global Offering	
		Number of Shares held	Approximate percentage of shareholding
Reach Glory	Beneficial owner	1,500,000,000	75%
Jangho HK (Note 1)	Interest in controlled corporation	1,500,000,000	75%
Jangho Co. (Note 2)	Interest in controlled corporation	1,500,000,000	75%
Beijing Jiangheyuan (Note 3)	Interest in controlled corporation	1,500,000,000	75%
Xinjiang Jianghe Huizhong Equity Investment Limited Partnership (新疆江河匯眾股權投資有限合夥 企業) (“ Xinjiang Jianghe Huizhong ”) (Note 4)	Interest in 10% or more of Shares	202,950,000	10.1475%
Mr. Liu (Note 5)	Interest in controlled corporation	1,500,000,000	75%
Ms. Fu (Note 6)	Interest of spouse	1,500,000,000	75%

Notes:

1. Reach Glory is beneficially wholly owned by Jangho HK and therefore Jangho HK is deemed to be interested in the Shares held by Reach Glory under the SFO.
2. Jangho HK is beneficially wholly owned by Jangho Co. and therefore Jangho Co. is deemed to be interested in the Shares held by Jangho HK through Reach Glory under the SFO.
3. Ms. Fu, the spouse of Mr. Liu, is the sole director of Beijing Jiangheyuan. The board of directors of Jangho Co. is controlled by Beijing Jiangheyuan and therefore Beijing Jiangheyuan is deemed to be interested in the Shares held by Jangho Co. through Jangho HK and Reach Glory under the SFO.
4. Jangho Co. is 13.53% beneficially owned by Xinjiang Jianghe Huizhong. As such, our Company is indirectly owned as to 10.1475% by Xinjiang Jianghe Huizhong immediately after completion of the Capitalisation Issue and the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), respectively.

5. Jangho Co. is approximately 27.35% beneficially owned by Beijing Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and approximately 24.70% beneficially owned by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the Shares held by Jangho Co. through Jangho HK and Reach Glory under the SFO.
6. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the Shares held by Mr. Liu under the SFO.

3. Agency fees or commissions received

Save as disclosed in this Prospectus, within the two years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

4. Related party transactions

Save as disclosed in this Prospectus and in the accountants' report set out in Appendix I to this Prospectus, during the two years immediately preceding the date of this Prospectus, our Company had not engaged in any other material transactions or related party transactions.

D. SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholder passed on 1 December 2015 (the "**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose of the Share Option Scheme and eligibility

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option (as defined below) to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

2. *Conditions of the Share Option Scheme*

The Share Option Scheme shall come into effect on the Listing Date subject to the following conditions having been fulfilled:

- (a) the approval of all the shareholders of our Company for the adoption of the Share Option Scheme and authorisation be given to our Directors to grant Options and to allot, issue and deal with Shares under the Share Option Scheme;
- (b) the approval of the Stock Exchange for the listing of and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the obligations of the underwriters under the Underwriting Agreement(s), if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the conditions referred to the above are not satisfied within six calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith determine;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

3. *Administration*

Subject to the fulfilment of the conditions and the termination provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry of the Share Option Scheme, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

4. *Who may join*

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”);
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;
- (c) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (d) a direct or indirect shareholder of any member of our Group;
- (e) a supplier of goods or services to any member of our Group;
- (f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

(the persons referred above are the “**Eligible Persons**”)

5. *Maximum number of Shares*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of the Shares in issue as at the Listing Date (i.e. 200,000,000 Shares) (the “**Scheme Mandate Limit**”) provided that:

- (a) our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the

Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules; and

- (b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

Notwithstanding paragraph 5(a) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30 per cent. of our Shares in issue from time to time.

6. *Maximum entitlement of each participant*

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates or his associates (if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

The maximum numbers in respect of which Options may be granted shall be adjusted in such manner as the auditors of our Company (the “**Auditors**”) shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of our Company in accordance with paragraph 22 whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the number of our Shares but shall not in any event exceed the limits imposed by the Listing Rules.

7. *Offer and grant of Options*

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine provided that:

- (a) no Options shall be granted under the Share Option Scheme after the termination of the Share Option Scheme in accordance with paragraph 22;
- (b) no Options shall be granted if our Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to our Company;
- (c) no Options shall be granted if the grant would result in a breach by our Company or our Directors of relevant laws or regulations (including those relating to securities); and
- (d) any Option, once issued, shall not be reissued under the Share Option Scheme.

8. *Granting Options to Connected Persons*

Subject to the terms in the Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (b) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders, with such person, his associates and all core connected persons of our Company (as defined in the Listing Rules) abstaining from voting in favour of such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates.

If in accordance with the terms of the Share Option Scheme, the Board determines to offer the grant of an Option to an Eligible Person, the Board shall forward to the relevant Eligible Person an offer letter specifying:

- (i) the Eligible Person's name, address and occupation;
- (ii) the offer date;
- (iii) the Acceptance Date (as defined below);
- (iv) the number of Shares in respect of which the Option is offered;
- (v) the subscription price and the manner of payment of the subscription price of the Shares on and in consequence of the exercise of the Option;
- (vi) how the expiry date in relation to that Option is ascertained;
- (vii) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in “— D. Share Option Scheme — Summary of the terms of the Share Option Scheme — 9. Offer period and number accepted”;
- (viii) the method of exercise of the Option which shall, unless the Board otherwise determines, as set out in “— D. Share Option Scheme — Summary of the terms of the Share Option Scheme — 14. Exercise of Option”; and
- (ix) such other terms and conditions relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the rules and procedures applicable to the Share Option Scheme and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

9. *Offer period and number accepted*

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in this paragraph 9. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Restriction on the time of grant of Options

The Board shall not offer the grant of any Option to any Eligible Person after inside information has come to its knowledge, until such inside information has been announced pursuant to the requirements of the Listing Rules or during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

11. Vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of our Shares to which the Option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the Option can be exercised.

12. Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.0.

13. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

- (b) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

14. *Exercise of Option*

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the period, in respect of an Option, commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the Option as our Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme (the "**Expiry Date**") (the "**Option Period**") in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from the auditors of our Company pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the number of Shares which may fall to be issued by our Company.
- (iii) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the Option Period, provided that:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;

- (c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or on the grounds that he has been guilty of serious misconduct or other culpable reason (“**Culpable Termination**”), his Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, his Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive’s Option has lapsed pursuant to this paragraph 14(iii)(e) shall be final and conclusive;
- (f) if a grantee being:
 - (i) an executive Director ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or
 - (ii) a non-executive Director ceases to be a director:
 - (1) by reason of retiring pursuant to the Articles and who notifies our Company that he is not offering himself for re-election at our Company’s annual general meeting (“**Non-Executive Director**”

Retirement”), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or

- (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(g) if:

- (i) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
- (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

his Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of our Board resolving that the grantee’s Option has lapsed pursuant to this paragraph (g) shall be final and conclusive;

(h) if a grantee (being a corporation):

- (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
- (ii) has suspended, ceased or threatened to suspend or cease business; or
- (iii) is unable to pay its debts; or
- (iv) otherwise becomes insolvent; or
- (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of our Board is material; or

- (vi) commits a breach of any contract entered into between the grantee or its associate and any member of our Group,

its Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or
 - (iii) has been convicted of any criminal offence involving his integrity or honesty; or
 - (iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

his Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (i) for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise his Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

- (k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the Option Period;

 - (ii) the period of two months from the date of such notice; or

 - (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (k), all Options outstanding at the expiry of the relevant period referred to in this paragraph (k) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with our Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

- (l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior

to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

15. *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the BVI from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

16. *Duration*

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

17. *Lapse of Share Option Scheme*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the period referred to in paragraph 14(iii) above;
- (c) subject to paragraph 14(iii)(l), the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph 14(iii)(h) or 17(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

18. Reorganisation of capital structure

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the number of Shares, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors of our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (c) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the auditors of our Company in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on our Company and the grantees in the absence of manifest error. The costs of the auditors of our Company shall be borne by our Company.

If there has been any alteration in the capital structure of our Company as referred to in this paragraph, our Company shall, upon receipt of a notice from the grantee in accordance with paragraph 14(i) inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made pursuant to the certificate of the auditors of our Company obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors of our Company to issue a certificate in that regard in accordance with this paragraph.

19. Cancellation of Options

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraph 21 or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to our Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

20. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

21. Transferability

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

22. Alteration

The Share Option Scheme may be altered in any respect by a resolution of our Board subject to that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any

material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by the Board pursuant to paragraph 3 to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid provisions.

23. *Disputes*

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the auditors of our Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

24. *Miscellaneous*

- (a) Our Company shall bear the costs of establishing and administering the Share Option Scheme (including the costs of the auditors of our Company).
- (b) A grantee shall be entitled to inspect copies of all notices and other documents sent by our Company to its members at the same time or within a reasonable time of such notices or documents being sent, which shall be made available to him during normal office hours at the principal office of our Company in Hong Kong.
- (c) Any notices, documents or other communication between our Company and a grantee shall be in writing and may be sent by prepaid post or by personal delivery to, in the case of our Company, its principal office in Hong Kong and, in the case of the grantee, his address in Hong Kong as notified to our Company from time to time.
- (d) Any notice or other communication served:
 - (i) by our Company shall be deemed to have been served 24 hours after the same was put in the post or if delivered by hand, when delivered; and
 - (ii) by the grantee shall not be deemed to have been received until the same shall have been received by our Company.
- (e) All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in the BVI or elsewhere and a grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. By accepting an offer or exercising his Option, the grantee thereof is deemed to have represented to our Company that he has obtained all such consents. A grantee shall indemnify our Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which our Company may suffer or incur

(whether alone or jointly with other party or parties) for or in respect of any failure on the part of the grantee to obtain any necessary consent or to pay tax or other liabilities referred therein. Our Company shall not be responsible for any failure by a grantee to obtain any such consent or for any tax or other liability to which a grantee may become subject as a result of his participation in the Share Option Scheme.

- (f) A grantee shall pay all taxes and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.
- (g) The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company directly or indirectly or give rise to any cause of action at law or in equity against our Company.
- (h) The Share Option Scheme shall not form part of any contract of employment between our Company or any of its subsidiaries and any Executive and the rights and obligations of any Executive under the terms of his office or employment shall not be affected by his participation in it and the Share Option Scheme shall afford such an Executive no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

25. *Governing law*

The Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Indemnity on estate duty and taxation

Each of the Controlling Shareholders (the “**Indemnifiers**”) has entered into the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee for each of its subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”).

The Indemnifiers will however not be liable under the Deed of Indemnity for taxation to the extent that:

- (a) provision, reserve or allowance has been made for such taxation claims in the audited combined accounts of our Company for the Track Record Period as set out in Appendix I to this Prospectus (the “**Accounts**”); or

- (b) the taxation falling on any of the members of our Group in respect of their accounting period commencing on or after 1 September 2015 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior consent of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 September 2015; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before Effective Date; or
 - (iii) consisting of any of member of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of such taxation; or
- (c) such taxation liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such taxation liability;
- (d) any provision, reserve or allowance made for such taxation liabilities in the Accounts is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter; or
- (e) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong, Macau, the PRC or any other part of the world) coming into force after the Effective Date or such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; or
- (f) such taxation or liability arises as a result of any member of our Group being in breach of any provision of the Deed of Indemnity.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the BVI, Hong Kong, Macau or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Pursuant to the Deed of Indemnity, each of the Indemnifiers has also undertaken and covenanted with each member of our Group on a joint and several basis to hold each member of our Group harmless and keep each member of our Group indemnified on demand against:

- (a) any estate duty which is or becomes payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) under the provisions of section 43 of the Estate Duty Ordinance (or the equivalent thereof under the laws of any jurisdiction outside of Hong Kong) by reason of any transfer of property to any member of our Group before the date of the Deed of Indemnity;
- (b) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with:
 - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing Date, including but not limited to the legal proceedings and claims as disclosed in “Business — Regulatory compliance and legal proceedings — Legal proceedings and claims”; and
 - (ii) any violation or non-compliance with the laws, rules or regulations applicable to our Group on or before the Listing Date

but shall not be liable to the amount which the provision, reserve or allowance has been made in the Accounts.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). The Sole Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

Our Company has agreed to pay the Sole Sponsor (a) a fee of HK\$4.5 million; and (b) a discretionary bonus of not more than 1.0% of the gross proceeds from the Global Offering in respect of its services rendered as the sponsor to our Company for the Global Offering.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company were approximately US\$1,600 and were paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
Guotai Junan Capital Limited	A corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Pinsent Masons	Legal advisers as to Hong Kong law
Tian Yuan Law Firm	Legal advisers as to PRC law
Rui Afonso Lawyers' Office	Legal advisers as to Macau law

Name	Qualification
Conyers Dill & Pearman	BVI attorneys-at-law
Deloitte Touche Tohmatsu	Certified public accountants
Ipsos Limited	Independent industry consultants
Zhongjing Minxin (Beijing) Assets Appraisal Company Limited (中京民信(北京)資產評估 有限公司)	Independent professional valuer
Norton Rose Fulbright LLP	Qualified to advise on the applicability of economic sanctions administered under the EU law
Norton Rose Fulbright Australia	Qualified to advise on the applicability of economic sanctions administered under Australian law
Husch Blackwell LLP	Qualified to advise on the applicability of economic sanctions administered under the United States law

7. Consents of experts

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or legal opinion (as the case may be) and the references to its/her name included herein in the form and context in which it respectively appears.

8. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Share registrars

The principal register of members will be maintained by Codan Trust Company (B.V.I.) Ltd. in the BVI and Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with and registered by, our Company's share registrar in Hong Kong and may not be lodged for registration with the principal share registrar in the BVI.

10. Disclaimers

Saved as disclosed in this Prospectus:

- (a) none of our Directors nor any of the parties whose names are listed in “— E. Other information — 6. Qualifications of experts” is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue of this Prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors nor any of the parties whose names are listed in “— E. Other information — 6. Qualifications of experts” is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group;
- (c) none of the experts named in “— E. Other information — 6. Qualifications of experts” has any shareholding in any member in our Group or the right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member in our Group;
- (d) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to any promoter of our Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this Prospectus;
- (e) none of our Directors or their respective close associates is interested in any business apart from our Group’s business, which competes or is likely to compete, either directly or indirectly, with our Group’s business; and
- (f) none of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company had any interest in our five largest customers or the five largest suppliers.

11. Miscellaneous

- (a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

- (iii) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
- (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (d) There has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group within 12 months preceding the date of this Prospectus.
- (e) There are no arrangements in existence under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the Application Forms;
- (b) the written consents referred to in “Appendix IV — E. Other information — 7. Consents of experts” to this Prospectus; and
- (c) a copy of each of the material contracts referred to in “Appendix IV — B. Further information about our business — 1. Summary of material contracts” to this Prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Pinsent Masons at 50th Floor, Central Plaza, 18 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus (both days inclusive):

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this Prospectus;
- (c) the audited consolidated financial statements of our Company and the subsidiaries of our Company for the years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015;
- (d) the report prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this Prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman, the legal advisers to our Company as to BVI law, summarising certain aspects of the BVI company law referred to in Appendix III to this Prospectus;
- (f) the BVI Companies Act;
- (g) the material contracts referred to in “Appendix IV — B. Further information about our business — 1. Summary of material contracts” to this Prospectus;
- (h) the written consents referred to in “Appendix IV — E. Other information — 7. Consents of experts” to this Prospectus;
- (i) the rules of the Share Option Scheme;

- (j) the service agreements and letters of appointment referred to in “Appendix IV — C. Further information about our Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts” to this Prospectus;
- (k) the Hong Kong legal opinion issued by Pinsent Masons, the legal advisers to our Company as to Hong Kong law;
- (l) the PRC legal opinion issued by Tian Yuan Law Firm, the legal advisers to our Company as to PRC law;
- (m) the Macau legal opinion issued by Rui Afonso Lawyers’ Office, the legal advisers to our Company as to Macau law;
- (n) the legal advice in respect of certain economic sanctions administered under the EU law prepared by Norton Rose Fulbright LLP;
- (o) the legal advice in respect of certain economic sanctions administered under Australian law prepared by Norton Rose Fulbright Australia;
- (p) the legal advice in respect of certain economic sanctions administered under the United States law prepared by Husch Blackwell LLP;
- (q) the industry overview report prepared by Ipsos referred to in “Industry Overview”; and
- (r) the valuation report in respect of the market value of the license granted under the Trademark License Agreement prepared by Zhongjing Minxin (Beijing) Assets Appraisal Company Limited (中京民信(北京)資產評估有限公司).

