

**THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Forms of Acceptance or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Synergis Holdings Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms of the Offers contained herein.

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 Composite Document and the accompanying Forms of Acceptance, make no representation as to their 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 Composite Document and the Forms of Acceptance.

**CHAMP KEY HOLDINGS LIMITED**  
(incorporated in the British Virgin Islands with limited liability)

 **SYNERGIS 新昌**  
total management solutions 整全管理  
**SYNERGIS HOLDINGS LIMITED**  
**新昌管理集團有限公司\***  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 02340)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFERS BY**



**KINGSTON SECURITIES**

**FOR AND ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED SHARES  
IN THE COMPANY**

**(OTHER THAN THOSE ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR) AND  
FOR THE CANCELLATION OF ALL OUTSTANDING OPTIONS  
OF THE COMPANY**

**Financial adviser to the Offeror**



**KINGSTON CORPORATE FINANCE**

**Independent Financial Adviser to the Independent Board Committee**



**INCUB Corporate Finance Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Kingston Securities containing, among other things, details of the terms of the Offers is set out on pages 6 to 14 of this Composite Document.

A letter from the Board is set out on pages 15 to 19 of this Composite Document. A letter from the Independent Board Committee is set out on pages 20 to 21 of this Composite Document. A letter from INCUB, containing its advice to the Independent Board Committee, is set out on pages 22 to 42 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Form of the Share Offer Acceptance should be received by the Registrar and Form of the Option Offer Acceptance should be received by the company secretary of the Company as soon as possible and in any event no later than 4:00 p.m. on Friday, 3 February 2017 (or such later time and/or date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code).

The Composite Document will remain on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.synergis.com.hk](http://www.synergis.com.hk) as long as the Offers remain open.

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## EXPECTED TIMETABLE

*The expected timetable sets out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Document and the accompanying Forms of Acceptance ( <i>Note 1</i> ) . . . . .	Friday, 13 January 2017
Offers open for acceptance ( <i>Note 1</i> ) . . . . .	Friday, 13 January 2017
Latest time and date for acceptance of the Offers and the Offers Closing Date ( <i>Note 2</i> ) . . . . .	4:00 p.m. on Friday, 3 February 2017
Announcement of the results of the Offers as at the Offers Closing Date on the website of the Stock Exchange ( <i>Note 2</i> ) . . . . .	not later than 7:00 p.m. on Friday, 3 February 2017
Latest date for posting of remittances in respect of valid acceptances received under the Offers ( <i>Note 3</i> ) . . . . .	Tuesday, 14 February 2017

*Notes:*

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Offers Closing Date, unless the Offeror revises the Offers in accordance with the Takeovers Code. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 3 February 2017 unless the Offeror revises the Offers in accordance with the Takeovers Code. An announcement in respect of the result of the Offers will be issued on the website of the Stock Exchange by 7:00 p.m. on the Offers Closing Date. In the event that the Offeror decides to revise the Offers, all Independent Shareholders and Option Holders whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Offers Closing Date.  
  
If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force on the Offers Closing Date and (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day (as defined under the Takeovers Code) which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be on the same day, i.e. 4:00 p.m. on the Offers Closing Date.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares and/or the Options tendered under the Offers will be despatched to the Independent Shareholders and/or the Option Holders accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven (7) business days (as defined under the Takeovers Code) following the date of receipt of all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for the acceptance of the Offers and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

<b>EXPECTED TIMETABLE</b>
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**NOTICE TO HOLDERS OUTSIDE HONG KONG**

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders and Overseas Option Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror and parties acting in concert with it, the Company, Kingston Corporate Finance, Kingston Securities, INCU, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see "Overseas Shareholders and Overseas Option Holders" in the "Letter from Kingston Securities".

## DEFINITIONS

*In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, those defined terms are not included in the table below:*

“Acquisitions”	the acquisition of: (a) Sale Shares I by the Offeror pursuant to the bought and sold notes dated 18 November 2016 entered into between Vendor I and the Offeror, and (b) Sale Shares II and CPSs by the Offeror pursuant to the SPA
“acting in concert”	has the same meaning defined in the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CPSs”	the unlisted restricted voting convertible preference shares of the Company of HK\$0.10 each which are currently in issue and convertible into 80,000,000 Shares, subject to adjustments
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Synergis Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 02340)
“Composite Document”	this offer and response documents jointly issued by the Offeror and the Company together with the Forms of Acceptance to the Shareholders and Option Holders pursuant to the Offers
“Director(s)”	the director(s) of the Company
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Encumbrances”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect

## DEFINITIONS

“Forms of Acceptance”	collectively, the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and the “Form of Acceptance” shall mean each and any one of them
“Form of Option Offer Acceptance”	the yellow form of acceptance and cancellation of the Options and in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the white form of acceptance and transfer of the Offer Shares and in respect of the Share Offer accompanying this Composite Document
“Group”	collectively, the Company and its subsidiaries from time to time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hsin Chong”	Hsin Chong Group Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00404)
“Independent Board Committee”	the independent board committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders and the Option Holders in respect of the Offers
“Independent Financial Adviser” or “INCUB”	INCUB Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers
“Joint Announcement”	the joint announcement issued by the Offeror and the Company dated 30 November 2016 in relation to among other things, the Acquisitions and Offers
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, who has been appointed as the financial adviser to the Offeror

## DEFINITIONS

“Kingston Finance”	Kingston Finance Limited, a company incorporated in Hong Kong with limited liability and wholly owned by Ample Cheer Limited which is 80% owned by Best Forth Limited, and Best Forth Limited is wholly owned by Mrs. Chu
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) regulated activity under the SFO which shall make the Offers on behalf of the Offeror
“Last Trading Day”	18 November 2016, being the last full trading day immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	10 January 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange
“Mrs. Chu”	Mrs. Chu Yuet Wah, the ultimate beneficial owner and sole director and shareholder of the Offeror
“Offers”	collectively, the Share Offer and the Option Offer
“Offer Period”	the period commencing on 30 November 2016 up to and including the Offers Closing Date
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Champ Key Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Offers Closing Date”	3 February 2017, the closing date of the Offers, which is the 21st calendar day after the date of the posting of this Composite Document, or if the Offers are extended, any subsequent closing date(s) of the Offers as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code

## DEFINITIONS

“Option(s)”	option(s) granted by the Company pursuant to the old share option scheme adopted by the Company on 19 September 2003 (terminated by the ordinary resolution passed at the annual general meeting of the Company held on 17 June 2013) and a new share option scheme adopted by the Company on 17 June 2013, which entitle(s) holder(s) thereof to subscribe for Shares in accordance with the terms and conditions thereof
“Option Holder(s)”	holders of the Options
“Option Offer”	the mandatory unconditional cash offer made by Kingston Securities, on behalf of the Offeror, for cancellation of all outstanding Options held by the Options Holders in accordance with the Takeovers Code
“Overseas Option Holder(s)”	Option Holder(s) whose registered addresses, as shown on the register of Option Holders of the Company, are outside Hong Kong
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 30 May 2016, being six months prior to 30 November 2016 (the date of commencement of the Offer Period) and ending on and including the Latest Practicable Date
“Sale Share(s)”	any Shares referred to under the Sale Shares I, Sale Shares II and any of the 80,000,000 Shares falling to be issued upon conversion of the CPSs
“Sale Share(s) I”	55,000,000 Shares beneficially owned by Vendor I prior to the completion of the Acquisitions, representing approximately 15.80% of the Shares in issue as at the date of the Joint Announcement and approximately 15.67% of the Shares in issue as at the Latest Practicable Date
“Sale Share(s) II”	169,116,777 Shares beneficially owned by Vendor II prior to the completion of the Acquisitions, representing approximately 48.58% of the Share in issue as at the date of the Joint Announcement and approximately 48.17% of the Shares in issue as at the Latest Practicable Date

<b>DEFINITIONS</b>
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“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the mandatory unconditional cash offer to be made by Kingston Securities on behalf of the Offeror to acquire all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror)
“Share Offer Price”	HK\$1.12 per Offer Share
“SPA”	the sale and purchase agreement dated 18 November 2016 entered into between Vendor II as vendor, the Offeror as purchaser and Hsin Chong as guarantor for the sale and purchase of the Sale Shares II and the CPSs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
“Vendor I”	Summit View Holdings Limited, a company incorporated in the British Virgin Islands with limited liability. It is owned as to 50% by Dr. Wilfred Wong Ying Wai and 50% by Ms. Ma Kwing, Pony
“Vendor II”	Smart Lane Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Hsin Chong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

## LETTER FROM KINGSTON SECURITIES



# KINGSTON SECURITIES

13 January 2017

*To the Independent Shareholders and Option Holders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES FOR AND ON BEHALF OF  
THE OFFEROR FOR ALL THE ISSUED SHARES OF  
THE COMPANY (OTHER THAN THOSE SHARES  
ALREADY OWNED AND/OR AGREED  
TO BE ACQUIRED BY THE OFFEROR) AND  
FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF THE COMPANY**

### INTRODUCTION

Reference is made to the Joint Announcement. The Company was notified of the Acquisitions, details of which are set out as below. On 18 November 2016, the Offeror (a) acquired 55,000,000 Shares from Vendor I, representing (i) approximately 15.80% of the Shares in issue (or approximately 12.85% of the Shares in issue as enlarged by the full conversion of CPSs) as at the date of the Joint Announcement; and (ii) approximately 15.67% of the Shares in issue (or approximately 12.76% of the Shares in issue as enlarged by the full conversion of CPSs) as at the Latest Practicable Date, at a total consideration of HK\$61,600,000 (equivalent to HK\$1.12 per Share); and (b) entered into the SPA with Vendor II, being an indirect wholly-owned subsidiary of Hsin Chong, for the acquisition of 169,116,777 Shares, representing (i) approximately 48.58% of the Shares in issue (or approximately 39.51% of the Shares in issue as enlarged by the full conversion of CPSs) as at the date of the Joint Announcement and (ii) approximately 48.17% of the Shares in issue (or approximately 39.23% of the Shares in issue as enlarged by the full conversion of CPSs) as at the Latest Practicable Date and the 80,000,000 CPSs convertible into 80,000,000 Shares (representing (i) approximately 18.69% of the Shares in issue as enlarged by the full conversion of CPSs as at the date of the Joint Announcement and (ii) approximately 18.56% of the Shares in issue as enlarged by the full conversion of CPSs as at the Latest Practicable Date) at an aggregate consideration of HK\$279,010,790 (equivalent to approximately HK\$1.12 per Share, assuming all CPSs are converted into new Shares). The Company was notified of the entering into of the SPA on 18 November 2016 (after trading hours). Completion of both Acquisitions took place on 21 November 2016.

## LETTER FROM KINGSTON SECURITIES

### MANDATORY UNCONDITIONAL CASH OFFERS

Immediately prior to the completion of the Acquisitions, (a) Vendor I held 57,846,436 Shares, representing approximately 16.62% of the Shares in issue as at the Last Trading Day; and (b) Vendor II held 169,116,777 Shares, representing approximately 48.58% of the Shares in issue as at the Last Trading Day, and 80,000,000 CPSs convertible into 80,000,000 Shares. All of the Shares and CPSs then owned by Vendor II were charged to Kingston Finance which is a company ultimately controlled by Mrs. Chu, being the sole shareholder and director of the Offeror, to secure a loan facility granted by Kingston Finance to Hsin Chong. Mrs. Chu, Kingston Finance and other related companies were therefore deemed under Part XV of the SFO to be interested in 169,116,777 Shares and 80,000,000 CPSs prior to the signing of the SPA. The charges of such securities have been released on 18 November 2016. Save for the aforesaid, immediately prior to the Acquisitions, the Offeror and parties acting in concert with it did not own, control or have direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. The Company has been notified by Vendor I that the 2,846,436 Shares not sold to the Offeror have been sold on 21 November 2016 to a third party that is not a Director, a Shareholder, or the Offeror or parties acting in concert with the Offeror.

Following the completion of the Acquisitions and as at the Latest Practicable Date, (a) the Offeror and parties acting in concert with it owned an aggregate of 224,116,777 Shares and 80,000,000 CPSs convertible into 80,000,000 Shares, representing approximately 63.84% of the Shares in issue (assuming none of the CPSs is converted) or approximately 70.55% of the Shares in issue as enlarged by the full conversion of the CPSs and (b) Vendor I and Vendor II are no longer interested in any securities of the Company.

As at the Latest Practicable Date, the Company has 351,080,000 Shares and 80,000,000 CPSs in issue and 4,250,000 Options outstanding. Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, immediately following the completion of the Acquisitions, the Offeror and parties acting in concert with it are required to make mandatory unconditional cash offers for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror) and to cancel all outstanding Options. As all CPSs are held by the Offeror as at the Latest Practicable Date, no comparable offer will be made in respect of the CPSs.

Kingston Securities will, on behalf of the Offeror, make the Offers in compliance with the Takeovers Code on the terms set out in this Composite Document on the following basis:

### THE SHARE OFFER

The Share Offer Price of HK\$1.12 for each Share under the Share Offer is approximately equal to but not lower than the price per Sale Share acquired by the Offeror under the Acquisitions. Hence the Share Offer will be made on the following terms:

#### The Share Offer

For each Offer Share . . . . . HK\$1.12 in cash

## LETTER FROM KINGSTON SECURITIES

### The Option Offer

As at the Latest Practicable Date, the Company had 4,250,000 Options outstanding, of which the subscription rights attached to (a) 4,130,000 Options may be exercised at an exercise price of HK\$0.952 for each Share and (b) 120,000 Options may be exercised at HK\$0.86 for each Share respectively. In light of the aforesaid, the Option Offer will be made on the following terms:

For cancellation of each outstanding Option:

- Options with an exercise price of HK\$0.952 . . . . . each HK\$0.168 in cash
- Options with an exercise price of HK\$0.86 . . . . . each HK\$0.260 in cash

### COMPARISON OF VALUE

The Offer Price of HK\$1.12 per Offer Share represents:

- (i) a discount of approximately 32.12% to the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.00% to the closing price of HK\$1.600 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.22% to the average closing price of approximately HK\$1.478 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.88% to the average closing price of approximately HK\$1.553 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 17.34% to the average closing price of approximately HK\$1.355 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 35.43% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.827 per Share as at 30 June 2016 calculated based on the information as set out in the 2016 interim report of the Company.

### HIGHEST AND LOWEST CLOSING PRICE OF THE SHARES

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the commencement of the Offer Period from 30 May 2016 to the Latest Practicable Date are HK\$1.93 per Share on 2 December 2016 and HK\$1.07 per Share on 14 September 2016 and 15 September 2016, respectively.

### CLOSE OF OFFER PERIOD

The Offeror will not extend the offer period for the Offers beyond 21 days following the date of despatch of the Composite Document, unless otherwise required by the Takeovers Code or other regulations.

## LETTER FROM KINGSTON SECURITIES

### TOTAL VALUE OF THE OFFERS

Subsequent to the date of the Joint Announcement and up to the Latest Practicable Date, Mr. Terence Leung Siu Cheong, managing Director of the Company, has exercised 300,000 Options at the exercise price of HK\$0.952 each, Mr. David Yu Hon To, an independent non-executive Director, has exercised 100,000 Options at the exercise price of HK\$0.952 each, Mr. Kan Fook Yee, as independent non-executive Director, has exercised 100,000 Options at the exercise price of HK\$0.952 each, Mr. Wong Tsan Kwong, as independent non-executive Director, has exercised 100,000 Options at the exercise price of HK\$0.952 each and Mr. Stephen Ip Shu Kwan, as independent non-executive Director, has exercised 100,000 Options at the exercise price of HK\$0.85 each; and 2,294,000 Options were exercised by other Option Holders. Assuming that there is no further change in the issued share capital of the Company and all the CPSs are not converted (save for such changes as mentioned below) and that up to the close of the Offers:

- (i) No further outstanding Options (which carry rights to subscribe for up to 4,250,000 Shares) are exercised prior to the close of the Offers, there will be 351,080,000 Shares in issue and 4,250,000 Options outstanding upon the close of the Offers, a total of 126,963,223 Shares will be subject to the Share Offer and 4,250,000 Options will be subject to the Option Offer; or
- (ii) all of the outstanding Options (which carry rights to subscribe for up to 4,250,000 Shares) are exercised in full prior to the close of the Offers, there will be 355,330,000 Shares in issue and a total of 131,213,223 Shares will be subject to the Share Offer and nil Option will be subject to the Option Offer.

Under Scenario (i) above, on the basis of full acceptance of the Offers, the maximum cash consideration payable by the Offeror under the Share Offer and the Option Offer will be HK\$142,198,809.76 and HK\$725,040.00 respectively, amounting to a total of HK\$142,923,849.76.

Under Scenario (ii) above, on the basis of full acceptance of the Share Offer, the maximum cash consideration payable by the Offeror under the Share Offer will be HK\$146,958,809.76.

### FINANCIAL RESOURCES

The Offeror has financed and settled the consideration for the Acquisitions by its own financial resources and will also finance the consideration for the full acceptance of the Offers by its own financial resources.

Kingston Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offers.

### EFFECT OF ACCEPTING THE OFFERS

The Offers are unconditional in all respects. By validly accepting the Share Offer, Shareholders would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document.

## LETTER FROM KINGSTON SECURITIES

Acceptance of the Offers by any Shareholders or Option Holders (as the case may be) will be deemed to constitute a warranty by such person that all Shares sold or Options tendered for cancellation by such person under the Offers are free from all Encumbrances whatsoever and, in the case of Shares, together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Offers are made.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### OVERSEAS SHAREHOLDERS AND OVERSEAS OPTION HOLDERS

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders and Overseas Option Holders whose addresses as shown in the registers of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders and Overseas Option Holders who wish to accept the Share Offer and the Option Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and Overseas Option Holders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Option Holders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Option Holders should consult their professional advisers if in doubt. Shareholders and/or Option Holders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

### STAMP DUTY

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, would be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror would bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, and would be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Share Offer.

No stamp duty is payable in connection with the acceptance of the Option Offer.

### PAYMENT

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but within seven (7) Business Days following the date on which the duly completed acceptance of the Offers and the relevant documents of title of the Offer Shares or the Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render each such acceptance of any of the Share Offer and the Option Offer complete and valid. No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder and Option Holder who accepts the Offers will be rounded up to the nearest cent.

## LETTER FROM KINGSTON SECURITIES

### TAXATION ADVICE

Shareholders and Option Holders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror or the Company accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

### OTHER ARRANGEMENTS

During the six months immediately prior to the start of the Offer Period and ending on the Latest Practicable Date, apart from Kingston Finance, a company in which Mrs. Chu is the controlling shareholder having taken charge of the 169,116,777 Shares and 80,000,000 CPSs held by Vendor II (the then controlling shareholder of the Company prior to the completion of the SPA) to secure repayment obligation for a loan facility granted by Kingston Finance to Hsin Chong, the Offeror, Mrs. Chu and parties acting in concert with any of them have not dealt in nor do they have any Shares, Options, derivatives, warrants or other securities convertible into Shares. Mrs. Chu is the sole shareholder and director of the Offeror.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the Sale Shares, none of the Offeror, Mrs. Chu and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares, Options, derivatives, warrants or other securities convertible into Shares;
- (ii) none of the Offeror, Mrs. Chu and/or parties acting in concert with any of them has received any irrevocable commitment to accept the Offers;
- (iii) save for the acquisition of 80,000,000 CPSs under the SPA, there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, Mrs. Chu or any person acting in concert with any of them;
- (iv) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (v) there is no agreement or arrangement to which the Offeror, Mrs. Chu and/or parties acting in concert with any of them is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (vi) none of the Offeror, Mrs. Chu and/or parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
- (vii) there is no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any of the Directors, recent directors of the Company, Shareholders, or recent shareholders of the Company (including Vendor I and Vendor II) having any connection with or dependence upon the Offers.

## LETTER FROM KINGSTON SECURITIES

### INFORMATION OF THE OFFEROR

The Offeror was incorporated in the British Virgin Islands with limited liability on 5 October 2016. The Offeror is an investment holding company and, save for the Acquisitions, it had not carried on any business since its incorporation. As at the Latest Practicable Date, the Offeror is wholly owned by Mrs. Chu, who is also the sole director of the Offeror.

The biography of Mrs. Chu is set out below:

Mrs. Chu Yuet Wah, aged 58, is a reputable and experienced businesswoman with over 20 years of experience in the financial services industry and 35 years of experience in property investments in Hong Kong and overseas. Mrs. Chu has also been appointed as the Vice Chairman of The Institute of Securities Dealers and Vice Chairman of Hong Kong Securities Professionals Association. Moreover, she is a Member of National Committee of Chinese People's Political Consultative Conference, Permanent Member of the Friends of Hong Kong Association, Founder and Honorary Chairman of The Chamber of Hong Kong Listed Companies, Chairman (2015-16) and Advisory Board Member (2016-17) of Po Leung Kuk, Standing Chairman of Federation of Hong Kong Guangdong Community Organisations, Chairman of the Hong Kong Federation of Dongguan Associations, Chairman of Aplichau Promotion of Tourism Association, Chairman of The Aplichau KaiFong Welfare Association, Honorary President of Hong Kong Army Cades Association, Honorary President of Hong Kong New Arrivals Services Foundation Limited, Honorary Vice President of Hong Kong Girl Guides Association and Director of Sun Yat-Sen University Advisory Board. She received an Honorary Ph.D. degree in Business Management from York University, the United States and holds a Bachelor's degree in Management degree from Golden Gate University, the United States. Mrs. Chu is currently the chief executive officer and an executive director of Kingston Financial Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1031), and the chairman and an executive director of Sincere Watch (Hong Kong) Limited, a company whose shares are listed on the Main Board of Stock Exchange (stock code: 444).

The Offeror and Mrs. Chu are third parties independent of, and not acting in concert with, either Vendor I or Vendor II.

### INFORMATION OF THE GROUP AND INTENTION OF THE OFFEROR REGARDING THE GROUP

The principal business of the Group is the provision of property management and facility management services, ISP business and ancillary business in Hong Kong, Mainland China and Macau, details of which are set out in the "Letter from the Board" of this Composite Document.

The Offeror intends to continue the existing principal activities of the Group. Following completion of the Offers, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group in order to enhance its financial performance as well as value to the Shareholders in the long run. As at the Latest Practicable Date, the Offeror has no concrete plan for any acquisition or disposal of the existing assets or business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group (save for changes in the composition of the Board) and dispose of or re-deploy the fixed assets of the Group other than in the ordinary course of business.

## LETTER FROM KINGSTON SECURITIES

### PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising three executive Directors, namely Ir. Joseph Choi Kin Hung, Mr. Terence Leung Siu Cheong and Mr. Lui Chun Pong, and four independent non-executive Directors, namely Mr. Stephen Ip Shu Kwan, Mr. Kan Fook Yee, Mr. Wong Tsan Kwong and Mr. David Yu Hon To.

As at the Latest Practicable Date, save for Ir. Joseph Choi Kin Hung and Mr. Lui Chun Pong who have indicated that they intend to resign following the close of the Offers, all other existing Directors intend to remain as Directors immediately following the close of the Offers. The Offeror intends to nominate new directors to the Board. Pursuant to the terms of SPA, Vendor II shall use its reasonable endeavours to cause such persons as the Offeror may nominate to be appointed as Directors and such appointment(s) shall be effective on a date to be determined by the Offeror and/or such effective date shall be the earliest date permitted under the Takeovers Code. Further announcement(s) will be made on any proposed change of the composition of the board of directors of the Company.

Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror and any new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. In this connection, in the event that the public float fell below 25% upon close of the Offers, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

### COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of the remaining Shares not acquired under the Offers after the close of the Offers.

## LETTER FROM KINGSTON SECURITIES

### FURTHER DETAILS OF THE OFFERS

Further details regarding the Offers, including the terms of the Offers and procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

### GENERAL

This Composite Document has been prepared for the purposes of complying the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

All documents and remittances to be sent to the Independent Shareholders and/or Option Holders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and Option Holders at their respective addresses as they appear in the register of members or register of Option Holders of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. The Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, INCU, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offers will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### WARNING:

Shareholders, Option Holders and potential investors of the Company should exercise caution when dealing in the securities of the Company (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from INCU" and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**  
**Chu, Nicholas Yuk-yui**  
*Director*

LETTER FROM THE BOARD



**SYNERGIS HOLDINGS LIMITED**

**新昌管理集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 02340)**

*Executive Directors:*

Ir. Joseph Choi Kin Hung (*Chairman*)  
Mr. Terence Leung Siu Cheong (*Managing Director*)  
Mr. Lui Chun Pong

*Independent Non-executive Directors:*

Mr. Stephen Ip Shu Kwan  
Mr. Kan Fook Yee  
Mr. Wong Tsan Kwong  
Mr. David Yu Hon To

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of  
Business in Hong Kong:*

10th Floor  
Hsin Chong Center  
107-109 Wai Yip Street  
Kwun Tong, Kowloon  
Hong Kong

13 January 2017

*To Independent Shareholders and Option Holders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES FOR AND ON BEHALF OF  
CHAMP KEY HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
SYNERGIS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
CHAMP KEY HOLDINGS LIMITED)  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF SYNERGIS HOLDINGS LIMITED**

**INTRODUCTION**

Reference is made to the Joint Announcement with respect to, among other things, the Acquisitions and the Offers.

\* for identification purposes only

## LETTER FROM THE BOARD

The Company was notified of the Acquisitions, details of which are set out as below. On 18 November 2016, the Offeror acquired (a) 55,000,000 Shares, representing approximately 15.80% of the Shares in issue as at the date of the Joint Announcement, from Vendor I at a total consideration of HK\$61,600,000 (equivalent to HK\$1.12 per Share); and (b) 169,116,777 Shares, representing approximately 48.58% of the Shares in issue as at the date of the Joint Announcement, and 80,000,000 CPSs from Vendor II at an aggregate consideration of HK\$279,010,790 (equivalent to approximately HK\$1.12 per Share, assuming all CPSs are converted into Shares). Completion of both Acquisitions took place on 21 November 2016. The Company has been notified by Vendor I that the 2,846,436 Shares not sold to the Offeror have been sold on 21 November 2016 to a third party that is not a Director, a Shareholder, or the Offeror or parties acting in concert with the Offeror.

Immediately prior to the entry into of the bought and sold notes and the SPA with the Vendor I and Vendor II, respectively, the Offeror and parties acting in concert with it were interested in 169,116,777 Shares and the 80,000,000 CPSs then owned by Vendor II through share charges granted by Vendor II in favour of Kingston Finance which is a company ultimately controlled by Mrs. Chu, being the sole shareholder and director of the Offeror, to secure a loan facility advanced by Kingston Finance to Hsin Chong, the holding company of Vendor II. The charges of such securities have been released on 18 November 2016. Immediately after completion of the Acquisitions and as at the date of the Joint Announcement, the Company was notified that the Offeror and parties acting in concert with it owned an aggregate of 224,116,777 Shares and 80,000,000 CPSs convertible into 80,000,000 Shares, representing approximately 64.38% of the Shares in issue (assuming none of the CPSs is converted) or approximately 71.04% of the Shares in issue as enlarged by the full conversion of the CPSs. Accordingly, the Offeror is required under Rule 26.1 and Rule 13.5 of the Takeovers Code to make mandatory unconditional cash offers for all the issued Shares not already owned and/or agreed to be acquired by it and to cancel all outstanding Options. As all CPSs are held by the Offeror as at the Latest Practicable Date, no comparable offer will be made in respect of the CPSs.

As set out in the “Letter from Kingston Securities”, Kingston Securities is making the Offers for and on behalf of the Offeror.

As at the date of the Joint Announcement, the Company had 348,086,000 Shares and 80,000,000 CPSs in issue and 7,244,000 Options outstanding. Subsequently, the Company announced the change in the number of issued Shares in accordance with Rule 3.8 of the Takeovers Code on 9 December 2016, 12 December 2016, 13 December 2016, 14 December 2016, 16 December 2016, 19 December 2016, 21 December 2016, 30 December 2016, 3 January 2017, 4 January 2017 and 5 January 2017, respectively, and an aggregate of 2,994,000 new Shares were issued pursuant to the exercise of Options by the Option Holders. As at the Latest Practicable Date, the Company has 351,080,000 Shares and 80,000,000 CPSs in issue and 4,250,000 Options outstanding.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Stephen Ip Shu Kwan, Mr. Kan Fook Yee, Mr. Wong Tsan Kwong and Mr. David Yu Hon To (each of whom has confirmed that he has no direct or indirect interest in the Offers other than their respective holding of the Options during the Offer Period), has been established pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Shareholders and Option Holders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers.

INCUB Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers. The full text of the letter from INCUB Corporate Finance Limited to the Independent Board Committee is set out in this Composite Document.

## LETTER FROM THE BOARD

Further terms and the procedures for acceptance of the Offers are set out in the “Letter from Kingston Securities” and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offers as well as to set out (i) the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders and Option Holders, and (ii) the “Letter from INCU” containing the advice of the Independent Financial Adviser to the Independent Board Committee in relation to the Offers.

### THE OFFERS

As set out in the “Letter from Kingston Securities” contained in this Composite Document, Kingston Securities is making the Offers for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

#### The Share Offer

For each Offer Share . . . . . HK\$1.12 in cash

The Share Offer Price of HK\$1.12 for each Share under the Share Offer is approximately equal to but not lower than the price per Sale Shares acquired by the Offeror under the Acquisitions. The Share Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

#### The Option Offer

As at the Latest Practicable Date, the Company had 4,250,000 Options outstanding, of which the subscription rights attached to (a) 4,130,000 Options may be exercised at an exercise price of HK\$0.952 for each Share; and (b) 120,000 Options may be exercised at HK\$0.860 for each Share, respectively. In light of the aforesaid, the Option Offer will be made on the following terms:

For cancellation of each outstanding Option:

- Options with an exercise price of HK\$0.952 . . . . . each HK\$0.168 in cash
- Options with an exercise price of HK\$0.860 . . . . . each HK\$0.260 in cash

The two share option schemes adopted by the Company on 19 September 2003 and 17 June 2013 provide that, upon the making of a general offer to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Option Holders are entitled to exercise the Options (to the extent not already lapsed or exercised) at any time within 30 days after the date on which such general offer becomes or is declared unconditional. On the expiry of the aforementioned period, all Options will lapse automatically.

## LETTER FROM THE BOARD

### FURTHER INFORMATION ON THE OFFERS

Please also refer to the “Letter from Kingston Securities” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offers, the making of the Offers to the Overseas Shareholders and Overseas Option Holders, taxation and acceptance and settlement procedures of the Offers.

### INFORMATION ON THE GROUP

The Company was incorporated in Bermuda as an exempted company with limited liability. The Group is principally engaged in the provision of property management and facility management services, interiors and special projects business and ancillary business in Hong Kong, Mainland China and Macau.

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Kingston Securities” contained in this Composite Document.

### INTENTION OF THE OFFEROR REGARDING THE GROUP

Please refer to the section headed “Information of the Group and intention of the Offeror regarding the Group” in the “Letter from Kingston Securities” for detailed information on the Offeror’s intention on the business and management of the Group.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the “Letter from Kingston Securities”, it is the intention of the Offeror to maintain the listing of Shares on the Stock Exchange after the close of the Offers. In the event that the public float of the Company falls below 25% upon close of the Offers, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

## LETTER FROM THE BOARD

### RECOMMENDATION

Independent Shareholders and Option Holders are advised to read the recommendation of the Independent Board Committee set out in “Letter from the Independent Board Committee” and the advice of the Independent Financial Adviser set out in “Letter from INCU” contained in this Composite Document before deciding on the actions to be taken on the Offers.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “Letter from Kingston Securities” and the additional information contained in the appendices to this Composite Document and the accompanying Forms of Acceptance.

Yours faithfully,  
For and on behalf of the Board  
**Synergis Holdings Limited**  
**Joseph Choi Kin Hung**  
*Executive Director and Chairman*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offers which has been prepared for the purpose of inclusion in this Composite Document.*



**SYNERGIS 新昌**  
total management solutions 整全管理

**SYNERGIS HOLDINGS LIMITED**

**新昌管理集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 02340)**

13 January 2017

*To the Independent Shareholders and Option Holders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES FOR AND ON BEHALF OF  
CHAMP KEY HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
SYNERGIS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
AND/OR AGREED TO BE ACQUIRED BY  
CHAMP KEY HOLDINGS LIMITED)  
AND FOR THE CANCELLATION OF  
ALL OUTSTANDING OPTIONS OF SYNERGIS HOLDINGS LIMITED**

We refer to the Composite Document jointly issued by the Offeror and the Company dated 13 January 2017 of which this letter forms part. Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders and the Option Holders as to whether or not the terms of the Offers are fair and reasonable and to make a recommendation as to acceptance of the Offers. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above.

We draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Composite Document.

\* for identification purposes only

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Offers and after taking into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in this Composite Document (basing mainly on a comparison of the Share Offer Price against historical closing price of the Shares and the price to earnings and price to book ratios of other Hong Kong listed companies selected by the Independent Financial Adviser absent a direct comparable to the Group), we consider that the terms of the Share Offer and Option Offer are not fair and reasonable so far as the Independent Shareholders and the Option Holders are concerned and recommend (subject as provided below) that:-

1. the Independent Shareholders should not accept the Share Offer and should consider (i) selling part or all of their Shares in the open market during the Offer Period, if the proceeds from the sale of such Shares in the open market (after deducting all transaction costs) exceed the net amount receivable under the Share Offer; or (ii) retaining part or all of their investments if they are optimistic about the Group's future prospects; and
2. the Option Holders should not accept the Option Offer, but instead, should consider exercising their Options and consider (i) selling part or all of their Shares that are issued upon such exercise in the open market during the Offer Period, if the proceeds from the sale of such Shares in the open market (after deducting all transaction costs) exceed the net amount receivable under the Option Offer; or (ii) retaining part or all of their investments if they are optimistic about the Group's future prospects.

Option Holders should also note that unless they exercise the Options within 30 days after the date on which the Offers become unconditional (being the date of this Composite Document), your Options will lapse on the expiry of such period.

Notwithstanding our recommendation, the Independent Shareholders and Option Holders should note that their decision (in the case of holders of Options) to exercise their Options and (in the case of holders of Shares) to realise and/or to hold their investment in the Shares is subject to individual circumstances and investment objectives. They should therefore consider carefully the terms of the Share Offer and/or (as the case maybe) the Option Offer and, if in doubt, the Independent Shareholders and the Option Holders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and Option Holders who wish to accept the Share Offer and/or (as the case may be) the Option Offer are recommended to read carefully the procedures for accepting the relevant offer as detailed in this Composite Document.

The Independent Shareholders and Option Holders are recommended to read the full text of the letter from the Independent Financial Adviser on pages 22 to 42 of this Composite Document.

Yours faithfully,  
**Independent Board Committee**

**Mr. Stephen Ip Shu Kwan**

**Mr. Wong Tsan Kwong**

**Mr. Kan Fook Yee**

**Mr. David Yu Hon To**

*Independent Non-executive Directors*

## LETTER FROM INCU

*The following is the full text of a letter of advice from INCU to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in this Composite Document.*



INCUB Corporate Finance Limited  
Unit 1701, 17/F, Wings Building,  
110-116 Queen's Road Central,  
Central, Hong Kong

13 January 2017

To the Independent Board Committee,  
the Independent Shareholders and the Option Holders of  
**Synergis Holdings Limited**

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
KINGSTON SECURITIES LIMITED  
ON BEHALF OF  
CHAMP KEY HOLDINGS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
SYNERGIS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY CHAMP KEY HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL OUTSTANDING OPTIONS  
OF THE COMPANY**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee (the **"Independent Board Committee"**) of Synergis Holdings Limited (the **"Company"**), the Independent Shareholders and Option Holders in relation to the Offers, details of which are set out in this composite offer and response document to the shareholders and option holders of the Company of even date and of which this letter forms part (the **"Composite Document"**). This letter contains our advice to the Independent Board Committee, the Independent Shareholders and the Option Holders as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

## LETTER FROM INCU

Reference is made to the Joint Announcement. The Company was notified that, on 18 November 2016, the Offeror (a) acquired 55,000,000 Shares from Vendor I by way of bought and sold notes, representing approximately 15.67% of the Shares in issue as at the Latest Practicable Date (or approximately 12.76% of the Shares in issue as enlarged by the full conversion of the CPSs), at a total consideration of HK\$61,600,000 (equivalent to HK\$1.12 per Share); and (b) entered into the SPA with Vendor II, being an indirect wholly-owned subsidiary of Hsin Chong, for the acquisition of 169,116,777 Shares, representing approximately 48.17% of the Shares in issue as at the Latest Practicable Date (or approximately 39.23% of the Shares in issue as enlarged by the full conversion of the CPSs) and the 80,000,000 CPSs convertible into 80,000,000 Shares (representing approximately 18.56% of the Shares in issue as enlarged by the full conversion of the CPSs) at an aggregate consideration of HK\$279,010,790 (equivalent to approximately HK\$1.12 per Share, assuming all CPSs are converted into new Shares). The Company was notified of the entering into of the SPA on 18 November 2016 (after trading hours). Completion of both Acquisitions took place on 21 November 2016.

Following completion of the Acquisitions (and after taking into account the disposal of remaining 2,846,436 Shares by the Vendor I to an independent third parties on 21 November 2016) and as at the Latest Practicable Date, (a) the Offeror and parties acting in concert with it owned an aggregate of 224,116,777 Shares and 80,000,000 CPSs convertible into 80,000,000 Shares, representing approximately 63.84% of the Shares in issue (assuming none of the CPSs is converted) or approximately 70.55% of the Shares in issue as enlarged by the full conversion of the CPSs; and (b) Vendor I and Vendor II are no longer interested in any securities of the Company.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Stephen Ip Shu Kwan, Mr. Kan Fook Yee, Mr. Wong Tsan Kwong and Mr. David Yu Hon To, has been formed to advise the Independent Shareholders and the Option Holders as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. We, INCU Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee, the Independent Shareholders and Option Holders in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We are independent from and not connected with the Company, the Offeror, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee, the Independent Shareholders and Option Holders in respect of the Offers.

## LETTER FROM INCU

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information opinions and representations contained or provided to us by the Company and management of the Group, which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, the interim report for the six months ended 30 June 2016, the annual report for the year ended 31 December 2015 and the information contained in the Composite Document. We have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the Latest Practicable Date and the Shareholders and the Option Holders will be notified of any material changes to such representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors and the management of the Group that no material facts have been omitted from the information provided and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information provided.

We have not considered the tax consequences on the Independent Shareholders and Option Holders in respect of their acceptance or non-acceptance of the Offers since they vary depending on respective individual circumstances. The Independent Shareholders and Option Holders should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL TERMS OF THE OFFERS

As at the Latest Practicable Date, the Company had 351,080,000 Shares and 80,000,000 CPSs in issue and 4,250,000 Options outstanding. Other than these, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

Pursuant to Rules 26.1 and 13.5 of the Takeovers Code, immediately following the completion of the Acquisitions, the Offeror and parties acting in concert with it are required to make mandatory unconditional cash offers for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror) and to cancel all outstanding Options. As all CPSs are held by the Offeror as at the Latest Practicable Date, no comparable offer will be made in respect of the CPSs.

Kingston Securities, on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the terms set out in the Composite Document on the following basis:

The Share Offer Price of HK\$1.12 for each Share under the Share Offer is approximately equal to but not lower than the price per Sale Share acquired by the Offeror under the Acquisitions. Hence the Share Offer will be made on the following terms:

#### **The Share Offer**

**For each Offer Share . . . . . HK\$1.12 in cash**

## LETTER FROM INCU

### The Option Offer

As at the Latest Practicable Date, the Company had 4,250,000 Options outstanding, of which the subscription rights attached to (a) 4,130,000 Options may be exercised at an exercise price of HK\$0.952 for each Share; and (b) 120,000 Options may be exercised at HK\$0.86 for each Share. In light of the aforesaid, the Option Offer will be made on the following terms:

For cancellation of each outstanding Options:

- (a) Options with an exercise price of HK\$0.952 each . . . . . HK\$0.168 in cash
- (b) Options with an exercise price of HK\$0.860 each . . . . . HK\$0.260 in cash

The Offers are unconditional in all respects. By validly accepting the Share Offer, Shareholders would sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Share Offer is made, that is, the date of the posting of the Composite Document. By validly accepting the Option Offer, Option Holders would agree to the cancellation of their tendered Options and all rights attached thereto with effect from the date on which the Option Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the Offers by any Shareholders or Option Holders (as the case may be) will be deemed to constitute a warranty by such person that all Shares sold or Options tendered for cancellation by such person under the Offers are free from all Encumbrances whatsoever and, in the case of Shares, together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Offers are made. Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

For further details of the Offers (including the terms and procedures for acceptance of the Offers), please refer to the "Letter from Kingston Securities" as set out on pages 6 to 14 of the Composite Document, Appendix I to the Composite Document and the accompanying Forms of Acceptance. The Independent Shareholders and the Option Holders are strongly advised to read the relevant sections in the Composite Document in full.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Offers, we have considered the following principal factors and reasons:

#### 1. Background information of the Group

The Company was incorporated in Bermuda as an exempted company with limited liability. The Group is principally engaged in interior and special projects business ("ISP Business"), property and facility management services and ancillary business (collectively, the "PFM Business") in Hong Kong, Mainland China and Macau. ISP Business includes construction, alteration and addition, renovation and conservation, and fitting-out.

## LETTER FROM INCU

### 2. Financial information of the Group

#### A. Financial performance of the Group

Set forth below are (i) the audited consolidated financial results of the Group for the two financial years ended 31 December 2014 and 31 December 2015 (“FY2014” and “FY2015”, respectively) as extracted from the annual report of the Company for the year ended 31 December 2014 (the “2014 Annual Report”) and the annual report of the Company for the year ended 31 December 2015 (the “2015 Annual Report”); and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 June 2015 and 30 June 2016 (“1H2015” and “1H2016”, respectively) as extracted from the interim report of the Company for six months ended 30 June 2016 (the “2016 Interim Report”):

	<b>FY2014</b> <i>HK\$'000</i> (audited)	<b>FY2015</b> <i>HK\$'000</i> (audited)	<b>1H2015</b> <i>HK\$'000</i> (unaudited)	<b>1H2016</b> <i>HK\$'000</i> (unaudited)
Revenue	1,906,253	2,447,379	1,129,201	1,180,024
– ISP Business	1,043,270	1,683,841	754,456	813,978
– PFM Business	862,983	763,538	374,745	366,046
Gross Profit	186,146	185,941	81,264	82,587
Profit for the year/ period attributable to equity holders of the Company	45,342	55,281	19,105	19,342
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per Share (basic)	11.9	14.9	5.0	5.2

#### (i) For the year ended 31 December 2014

In FY2014, the Group recorded revenue of approximately HK\$1,906.3 million, representing an increase of approximately 13.5% compared to that in the financial year ended 31 December 2013 (“FY2013”). The ISP Business and the PFM Business contributed approximately 54.7% and 45.3% of the total revenue of the Group respectively.

The revenue from the ISP Business increased by approximately 18.4%, from approximately HK\$881.1 million in FY2013 to approximately HK\$1,043.3 million in FY2014. According to the 2014 Annual report, the revenue from the ISP Business was mainly contributed by the retail fitting-out project at Galaxy Resort & Casino in Macau, building revitalization project in Wong Chuk Hang and Addition and Alteration Works for Digital Realty Data Centre in Tseung Kwan O, together with other newly awarded contracts during the year. The ISP Business had also extended to hotel room refurbishment in 2014. The revenue from the PFM Business increased by approximately 8.0%, from approximately HK\$799.0 million in FY2013 to approximately HK\$863.0 million in FY2014. According to the 2014 Annual Report, such increase was mainly due to the expansion of research and retail consultancy services in the PRC market.

## LETTER FROM INCU

During the year, the Group recorded profit attributable to the equity holders of the Company of approximately HK\$45.3 million, representing an approximately 31.8% increase from the previous year. Earnings per Share of approximately 11.9 HK cents also experienced a growth of approximately 32.2% from the previous year.

*(ii) For the year ended 31 December 2015*

In FY2015, the Group recorded revenue of approximately HK\$2,447.4 million, representing an increase of approximately 28.4% compared to that in FY2014. Contribution from the ISP Business to the Group's revenue increased to approximately 68.8% in FY2015, while those from the PFM Business was down to approximately 31.2%.

The revenue from the ISP Business substantially increased by approximately 61.4%, from approximately HK\$1,043.3 million in FY2014 to approximately HK\$1,683.8 million in FY2015. According to the 2015 Annual report, the revenue from the ISP Business was mainly contributed by the proposed commercial development in Wong Chuk Hang, the development of a 28-storey commercial building in Causeway Bay and renovation projects in Tsuen Wan and Tuen Mun.

On the other hand, the revenue from the PFM Business decreased by approximately 11.5%, from approximately HK\$863.0 million in FY 2014 to approximately HK\$763.5 million in FY2015. As advised by the Directors, such decrease was mainly due to keen competition in property and facilities management industry.

During the year, the Group recorded profit attributable to the equity holders of the Company of approximately HK\$55.3 million, representing an approximately 21.9% increase from the previous year. Earnings per Share of approximately 14.9 HK cents experienced an approximately 25.2% increase from the previous year.

*(iii) For the six months ended 30 June 2016*

In 1H2016, the Group recorded revenue of approximately HK\$1,180.0 million, representing an increase of approximately 4.5% compared to that in 1H2015. The ISP Business and the PFM Business contributed approximately 69.0% and 31.0% of the total revenue of the Group respectively.

Revenue from the ISP Business increased by approximately 7.9%, from approximately HK\$754.5 million in 1H2015 to approximately HK\$814.0 million in 1H2016, while the revenue from the PFM Business remained relatively stable (1H2015: HK\$374.7 million; 1H2016: HK\$366.0 million).

For 1H 2016, the profit attributable to owners of the equity holders of the Company of approximately HK\$19.3 million remained stable, as it represented around 1.2% increase from approximately HK\$19.1 million in 1H2015. Earnings per Share for 1H2016 of 5.2 HK cents slightly increased by approximately 4.0% as compared to 5.0 HK cents for 1H2015.

## LETTER FROM INCU

### **B. Financial positions of the Group**

Set out below are consolidated financial positions of the Group as at 31 December 2014 and 2015 extracted from 2015 Annual report, and as at 30 June 2016 extracted from the 2016 Interim Report:

	<b>As at 31 December</b>		<b>As at 30</b>
	<b>2014</b>	<b>2015</b>	<b>June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	229,777	222,499	227,897
Current assets	720,337	1,007,076	958,957
Non-current liabilities	10,799	11,209	10,988
Current liabilities	693,361	938,974	888,113
Net current assets	26,976	68,102	70,844
Equity attributable to equity holders of the Company	245,954	280,603	287,715
Gearing ratio (total debt to net assets)	100.4%	105.1%	69.1%

#### *(i) Financial position as at 31 December 2014*

As at 31 December 2014, the Group's current assets mainly comprised receivables of HK\$326.1 million, contracting work-in-progress of approximately HK\$180.9 million and deposit, cash and cash equivalents of approximately HK\$91.2 million. Included in the Group's current liabilities are mainly payables and accruals of approximately HK\$431.8 million and the total outstanding bank loans of the Group amounted to HK\$247.0 million.

Gearing ratio (total debt to net assets) decreased from approximately 123.1% as at 31 December 2013 to approximately 100.4% as at 31 December 2014. Such decrease was mainly attributable to the decrease in outstanding bank loans from HK\$276.0 million as at 31 December 2013 to HK\$247.0 million as at 31 December 2014.

The Group's net current assets position improved from a negative balance of approximately HK\$4.7 million as at 31 December 2013 to a positive balance of approximately HK\$27.0 million as at 31 December 2014. The Group's equity attributable to equity holders of the Company increased from approximately HK\$224.0 million as at 31 December 2013 to approximately HK\$246.0 million as at 31 December 2014, representing an increase of approximately 9.8%.

Based on the number of issued Shares as at 31 December 2014 of 335,890,000 Shares, the net asset value per Share as at 31 December 2014 amounted to approximately HK\$0.73, representing an increase of approximately 7.35% from the net asset value per Share of approximately HK\$0.68 as at 31 December 2013, which is based on the number of issued Shares as at 31 December 2013 of 332,000,000 Shares.

## LETTER FROM INCU

### *(ii) Financial position as at 31 December 2015*

As at 31 December 2015, the Group's current assets mainly comprised receivables of HK\$470.9 million, contracting work-in-progress of approximately HK\$299.2 million and deposit, cash and cash equivalents of approximately HK\$129.8 million. Included in the Group's current liabilities are mainly payables and accruals of approximately HK\$630.8 million and the total outstanding bank loans of the Group amounted to HK\$293.5 million.

As at 31 December 2015, the Group's net current assets amounted to approximately HK\$68.1 million, representing approximately 2.52 times of the Group's net current assets of approximately HK\$27.0 million as at 31 December 2014. As advised by the Directors, such increase was mainly due to the growth in operation size in the ISP Business, which led to a higher level of working capital.

Gearing ratio (total debt to net assets) as at 31 December 2015 was approximately 105.1% and maintained at a similar level with approximately 100.4% as at 31 December 2014.

The Group's equity attributable to equity holders of the Company increased from approximately HK\$246.0 million as at 31 December 2014 to approximately HK\$280.6 million as at 31 December 2015, representing an increase of approximately 14.1%.

Based on the number of issued Shares as at 31 December 2015 of 347,676,000 Shares, the net asset value per Share as at 31 December 2015 amounted to approximately HK\$0.80, representing an increase of approximately 9.6% from the net asset value per Share of approximately HK\$0.73 as at 31 December 2014, which is based on the number of issued Shares as at 31 December 2014 of 335,890,000 Shares.

### *(iii) Financial position as at 30 June 2016*

As at 30 June 2016, the Group's current assets mainly comprised receivables of HK\$383.0 million, contracting work-in-progress of approximately HK\$372.3 million and deposit, cash and cash equivalents of approximately HK\$111.6 million. Included in the Group's current liabilities are mainly payables and accruals of approximately HK\$671.1 million and the total outstanding bank loans of the Group amounted to HK\$198.7 million.

Gearing ratio (total debt to net assets) as at 30 June 2016 was approximately 69.1%, which represents a substantial decrease from approximately 105.1% as at 31 December 2015. Such change is mainly due to the decrease in outstanding bank loans from approximately HK\$293.5 million as at 31 December 2015 to approximately HK\$198.7 million as at 30 June 2016.

As at 30 June 2016, the Group's net current assets amounted to approximately HK\$70.8 million, representing approximately a slight increase of approximately 4.0% of approximately HK\$68.1 million as at 31 December 2015. The Group also recorded a slight growth in equity attributable to equity holders of the Company, from approximately HK\$280.6 million as at 31 December 2015 to approximately HK\$287.7 million as at 30 June 2016.

## LETTER FROM INCU

Based on the number of issued Shares as at 30 June 2016 of 347,956,000 Shares, the net asset value per Share as at 30 June 2016 amounted to approximately HK\$0.83, representing an increase of approximately 3.75% from the net asset value per Share of approximately HK\$0.80 as at 31 December 2015, which is based on the number of issued Shares as at 31 December 2015 of 347,676,000 Shares.

### ***C. Prospect and outlook of the Group***

As noted in the 2016 Interim Report, with the number of new contracts in relation to the ISP Business being awarded during the period, the total outstanding order book of the Group exceeded HK\$3.0 billion as at 30 June 2016. Around 40% of the total outstanding order book will be completed in 2016. Management believes that the ISP Business will deliver sustainable growth in the coming years through the team's commitment and dedication to excellence. Plans are also in hand to develop new lines of business, including curtain wall business, material sourcing and purchasing specialist trading to help reducing project costs. The Group has begun to set up new management teams to cater for such business expansion during 1st half of 2016. However, in short term, the Group may incur additional staff cost, which may put pressure on the operating profit.

We also noted from the 2016 Interim Report that, in respect of the PFM Business in Hong Kong, the management of the Group believes that the business environment in Hong Kong will remain challenging and difficult and the management will exert more efforts on further developing the facility management business with a focus on the opportunities of the airport, educational institutions, industrial estates and corporate real estate sector. Nevertheless, the management of the Group is optimistic that more businesses with satisfactory margin will be generated, given their expertise and cost consciousness. On the other hand, in respect of the PFM Business in the PRC, the management has adopted different strategies in developing its business in different regions, with different requirement of skillsets and job references in the Northern China and the Southern/Eastern China. The Northern China team of the Group will focus on commercial consultancy and leasing, while the Southern/Eastern China teams will focus on property management and agency services.

In recent years, the Hong Kong government has published a number of policies which may have favorable effect on the renovation service industry in Hong Kong. In October 2009, the Hong Kong government announced a set of revitalization measures to facilitate the redevelopment and wholesale conversion of older industrial premises, with a view to provide more floor space for non-industrial use to meet changing social and economic needs. In 2012, the Hong Kong government implemented the Code of Practice for Mandatory Building Inspection Scheme in 2012, which requires buildings aged over 30 years to be subject to inspection by a registered inspector, who will identify repair works to be handled by registered general building contractors. Stated in the 2016 Policy Address, the Hong Kong government would continue to promote the conversion of Kowloon East into the second core business district by relocation of the existing government facilities in the "Kowloon Bay Action Area" and the commencement of a study on the "Kwun tong Action Area", to release more land for commercial use. The implementation of these policies can bring positive impact on the market demand for renovation services.

## LETTER FROM INCU

Having considered (i) the active approach taken by the Group to develop new business lines, and (ii) the favorable government policies in Hong Kong, we are of the view that the prospect of the Group in short to medium term remains positive. However, given the persistent macroeconomic uncertainties resulting in weak market conditions all over the world including the Group's target markets and the increasing wage of skilled labor in Hong Kong and the PRC, we consider that its prospects and outlook would be subject to uncertainties and challenges from keen competition in future.

### 3. Principal terms of the Share Offer

The Share Offer Price of HK\$1.12 per Offer Share represents:

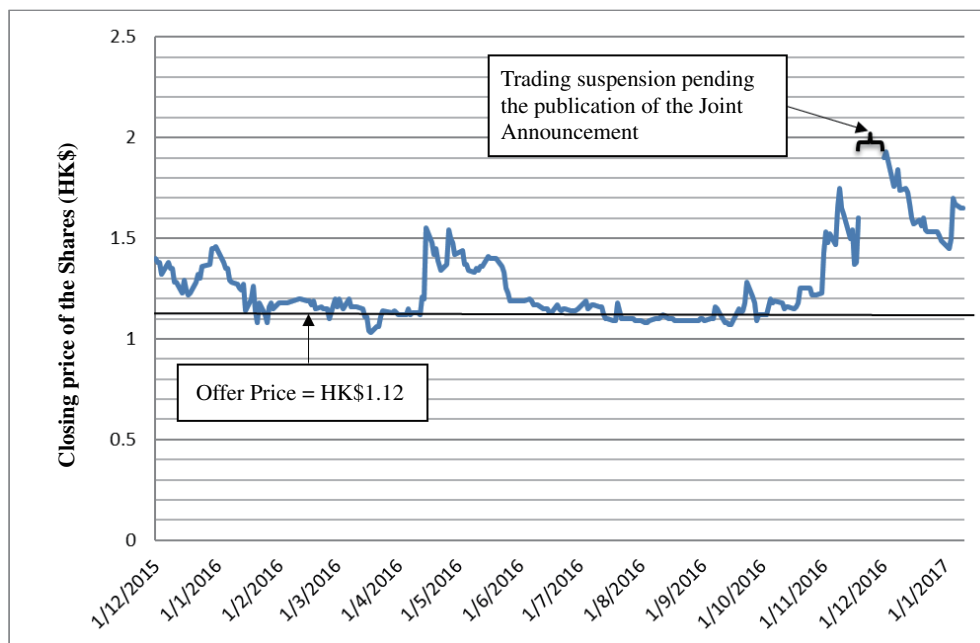
- (i) a discount of approximately 32.12% to the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.00% to the closing price of HK\$1.600 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.22% to the average closing price of HK\$1.478 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.88% to the average closing price of approximately HK\$1.553 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 17.34% to the average closing price of approximately HK\$1.355 per Share as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 35.43% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.827 per Share as at 30 June 2016 calculated based on the information as set out in the 2016 interim report of the Company.

#### A. *Historical price performance of the Shares*

In order to assess the fairness and reasonableness of the Share Offer Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2015, being approximately the twelve-month period preceding the commencement of the Offer Period, up to and including the Latest Practicable Date (the "**Review Period**"), as illustrated in the chart below. We consider the Review Period which covers a full year prior to the Offer Period, to represent a reasonable period to provide a general overview of the recent price performance of the Shares for conducting an analysis against the Share Offer Price.

## LETTER FROM INCU

**Chart 1: Share price performance during the Review Period**



Source: The website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

As shown in Chart 1 above, the closing price of the Shares ranged from HK\$1.03 recorded on 18 March 2016 to HK\$1.75 recorded on 9 November 2016 during the period from 1 December 2015 to 18 November 2016, being the last trading date prior to the release of the Joint Announcement (both dates inclusive, the “**Pre-Announcement Period**”), with an average of HK\$1.22 per Share, which is higher than the Share Offer Price.

Trading in the Shares was suspended, at the request of the management of the Company, from 21 November 2016 to 30 November 2016 (both days inclusive), pending the release of an announcement regarding inside information pursuant to the Takeovers Code. Following the release of the Joint Announcement and the resumption of trading in the Shares on 1 December 2016, the closing price of the Shares reached its peak at HK\$1.93 on 2 December 2016. During the period from 1 December 2016 up to the Latest Practicable Date (both dates inclusive, the “**Post Announcement Period**”), the closing price of the Shares ranged from HK\$1.45 on 3 January 2017 to HK\$1.93 recorded on 2 December 2016, with an average of HK\$1.66 per Share, which is also substantially higher than the Share Offer Price.

## LETTER FROM INCU

During the overall Review Period, the closing price of the Shares ranged from HK\$1.03 on 18 March 2016 to HK\$1.93 on 2 December 2016, with an average of HK\$1.26 per Share. Although the Share Offer Price represents a premium of approximately 8.74% over the lowest closing price of the Shares during the Review Period, it represents a discount of approximately 41.97% and 11.11% to the highest closing price and the average closing price per Share during the Review Period respectively, and a discount of approximately 32.53% to the average closing price per Share during the Post-Announcement Period. In addition, we also note that, the closing prices of the Shares on 205 trading days out of total 265 trading days during the Review Period, were higher than the Share Offer Price.

### **B. Historical trading volume of the Shares**

The following table sets out the historical monthly trading volume of the Shares and the percentage of the number of Shares traded compared to the total number of the Shares in issue during the Review Period:

Month/period	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Percentage of the average daily trading volume to the total number of Shares in issue (Note 2)
<b>2015</b>				
December	6,747,812	22	306,719	0.087%
<b>2016</b>				
January	5,464,056	20	273,203	0.078%
February	1,871,150	18	103,953	0.030%
March	6,178,704	21	294,224	0.084%
April	32,106,008	20	1,605,300	0.457%
May	10,897,798	21	518,943	0.148%
June	1,496,193	21	71,247	0.020%
July	8,990,314	20	449,516	0.128%
August	4,509,421	22	204,974	0.058%
September	42,610,673	21	2,029,080	0.578%
October	10,807,596	19	568,821	0.162%
November (Note 1)	78,286,504	14	5,591,893	1.593%
December	64,914,322	20	3,245,716	0.924%
<b>2017</b>				
January (up to the Latest Practicable Date)	8,462,690	6	1,410,448	0.402%

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- Trading in the Shares was suspended from 21 November 2016 to 30 November 2016 (both days inclusive).
- The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 351,080,000 Shares).

## LETTER FROM INCU

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 71,247 Shares (June 2016) to approximately 5,591,893 Shares (November 2016), representing approximately 0.020% to approximately 1.593% of the total number of the Shares in issue as at the Latest Practicable Date.

We note that the trading liquidity of the Shares during the Pre-Announcement Period was generally thin given that the average daily trading volume of the Shares during such period (except for April, September and November 2016) represents less than 0.2% to the total number of the Shares in issue as at the Latest Practicable Date. Although the trading volume of the Shares tended to be more active during the Post Announcement Period, the sustainability of such increase in the trading volume of the Shares during or after the Offer Period is uncertain. Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for those who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares. They are therefore strongly advised to carefully and closely monitor the market price and liquidity of the Shares during the Offer Period if they wish to dispose of part or all of their Shares.

### *C. Comparable analysis*

Price-to-earnings ("P/E") ratio and price-to-book ("P/B") ratio are the most commonly used benchmarks for valuation of companies. Therefore, for the purpose of our analysis, we have adopted P/E ratio and P/B ratio analysis to assess the fairness and reasonableness of the terms of the Share Offer.

We have attempted to identify the comparable companies which are (i) listed on the Stock Exchange; (ii) principally engaged in both construction and renovation related business and property and facility management related business in Hong Kong and the PRC, both being the principal businesses of the Group; and (iii) with comparable scale of size with the Group. However, we note that listed companies in Hong Kong, which principally engaging in both business activities, are typically substantively large sized groups and their revenue are mainly generated from property development. The business mix of the Group is unique in this regard. In other words, we have not been able to identify any direct comparables to the Company based on our selection criteria.

We have therefore revised the selection criteria for those comparable companies which (i) are listed on the Stock Exchange; (ii) principally engaged in either construction and renovation related business or property and facility management business in Hong Kong and/or the PRC; (iii) has at least 50% of their revenue generated from either of the abovementioned business in their respective latest financial year; and (iv) has a market capitalisation of not more than HK\$1,000 million. Based on these criteria, we have identified an exhaustive list of a total of 14 companies listed on the Stock Exchange (the "**Comparable Companies**"), 12 out of which relate to construction and renovation related business and the remaining 2 relate to property and facility management business. Independent Shareholders should note that the business, scale of operation, trading prospect, target market, business mix and capital structure of the Company are not exactly the same as those of the Comparable Companies and we have not conducted in-depth investigation into business and operations of the Comparable Companies save for the aforesaid selection criteria. While the Comparable Companies may not have identical business mix as the Group of the ISP Business and the PFM Business to constitute direct

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comparables, we consider that (based on the selection criteria we have adopted) they represent a fair and representative selection of companies that can be useful comparables to the Company for the purposes of this analysis on the grounds that (i) their principal business activities are closely comparable to those of the Group; (ii) similar to the Group, their revenue are mainly generated from construction and renovation related business or property and facility management service in Hong Kong and/or the PRC and (iii) their respective market capitalisations are comparable to that of the Company. Details of our analysis are listed below:

### *Construction and renovation related business*

Stock Code	Company Name	Company Business	Market Capitalisation	P/E ratio	P/B ratio
			HK\$(million) (Note 1)	(Note 2)	(Note 3)
262	Deson Development International Holdings Ltd.	Provision of construction, decoration, electrical and mechanical engineering services; property development and investment; trading of medical equipment and home security and automation products, and provision of related installation and maintenance services	312.92	2.91 (Note 4)	0.22 (Note 4)
406	Yau Lee Holdings Ltd.	Building construction, plumbing, renovation, maintenance projects, electrical & mechanical installation, building materials trading, property investment & development, hotel operations, computer software develop and architectural & engineering	424.91	N/A (Note 6)	0.31
1420	Chuan Holdings Limited	Provision of earthworks and related services; and provision of general construction works and construction of new buildings	513.56	6.94 (Note 5)	1.11
1447	SFK Construction Holdings Ltd.	Construction and maintenance projects in Hong Kong and construction projects in Macau; provision of cleaning services and security management services in Hong Kong	776.00	9.30 (Note 5)	1.84
1547	IBI Group Holdings Ltd.	Provision of building renovation services including fitting-out projects; and alteration and addition projects	320.00	11.32	6.89
1683	LC Group Holdings Ltd.	Provision of one-stop integrated interior design solutions in Hong Kong, including design, fit out and decoration, and also responsible for the overall project management	865.00	22.19 (Note 5)	5.52

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Stock Code	Company Name	Company Business	Market Capitalisation	P/E ratio	P/B ratio
			HK\$(million) (Note 1)	(Note 2)	(Note 3)
8122	Thelloy Development Group Ltd.	Providing building construction services; and repair, maintenance, alteration and addition works services	384.00	26.28 (Note 5)	4.95
8141	KPa-BM Holdings Ltd.	Provision of structural engineering works for the public and private sectors in Hong Kong; and trading of building material products	276.00	8.33 (Note 5)	2.22
8248	FDB Holdings Ltd.	Provision of contracting service for alteration & addition works, maintenance, specialist works & new development; consulting service for alteration & addition, new development, licensing, Building Services & architectural design for buildings in HK	295.68	11.63 (Note 5)	4.56
8268	Deson Construction International Holdings Ltd.	Provision of building construction works, electrical and mechanical engineering works and alterations, addition, renovation, refurbishment and fitting-out works, mainly in Hong Kong, Mainland China and Macau	290.00	26.71 (Note 4)	3.88 (Note 4)
8318	Ching Lee Holdings Ltd.	Provision of substructure building works services; superstructure building works services; and repair, maintenance, alteration and addition for an existing structure works services	335.00	11.01 (Note 5)	4.96
8360	AL Group Ltd.	Provision of interior design and fit out solutions as well as overall project management in Hong Kong	206.40	13.50	11.76
			<b>Average</b>	<b>14.72</b>	<b>4.36</b>
			<b>Median</b>	<b>11.48</b>	<b>4.56</b>
			<b>Maximum</b>	<b>26.71</b>	<b>11.76</b>
			<b>Minimum</b>	<b>6.94</b>	<b>0.31</b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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## *Property and facility management service business*

Stock Code	Company Name	Company Business	Market Capitalisation	P/E ratio	P/B ratio
			HK\$(million) (Note 1)	(Note 2)	(Note 3)
1538	Zhong Ao Home Group Limited	Provision of property management services and sales assistance services	897.83	17.12 (Note 5)	1.68
8181	Kong Shum Union Property Management (Holding) Limited	Provision of property management services in Hong Kong primarily targeting residential properties	190.13	67.54	1.64
			<b>Average</b>	<b>42.33</b>	<b>1.66</b>
			<b>Median</b>	<b>42.33</b>	<b>1.66</b>
			<b>Maximum</b>	<b>67.54</b>	<b>1.68</b>
			<b>Minimum</b>	<b>17.12</b>	<b>1.64</b>

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Notes:*

1. The market capitalisation is calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.
2. The P/E ratios of the Comparable Companies are calculated based on their respective market capitalisation divided by the audited net profit attributable to shareholders as disclosed in their respective latest published annual reports or prospectus (for newly listed companies).
3. The P/B ratios of the Comparable Companies are calculated based on their respective market capitalisation divided by the consolidated net assets attributable to equity shareholders as disclosed in their respective latest published annual reports or interim reports or prospectus (for newly listed companies).
4. The revenue from construction and engineering business of Deson Development International Holdings Limited (stock code: 262) ("DDIHL") was mainly contributed by its subsidiary, Deson Construction International Holdings Limited (stock code: 8268) ("DCIHL"), which was spun off from DDIHL in January 2015. The remaining business of DDIHL is property development and investment, which we consider not comparable to the Group. In this regard, only DCIHL has been included and DDIHL has been excluded in our analysis.
5. These companies are newly listed on the Stock Exchange and have incurred listing expenses in their respective latest financial year. We consider that listing expenses are non-recurring in nature and thus, for our analysis purpose, the P/E ratios of these companies are calculated based on the net profits before deduction of listing expenses incurred during the year.
6. N/A means not applicable given that the company is loss making during its latest financial year.

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The implied P/E ratio of the Company is 7.52 times, which is calculated as the Share Offer Price of HK\$1.12 divided by the basic earnings per Share of the Company of 14.9 HK cents as disclosed in 2015 Annual Report.

The implied P/B ratio of the Company is 1.35 times, which is calculated as the Share Offer Price of HK\$1.12 divided by the net assets attributable to equity shareholders of the Company per Share of HK\$0.83 based on the financial position of the Company as disclosed in the 2016 Interim Report and the number of issued Shares as at 30 June 2016.

As illustrated in the table above, the P/E ratios of the Comparable Companies for construction and renovation related business ranged from approximately 6.94 times to approximately 26.71 times, with an average of approximately 14.72 times and a median of 11.48 times; and the P/E ratios of the Comparable Companies for property and facility management business ranged from approximately 17.12 times to approximately 67.54 times, with an average of approximately 42.33 times and a median of 42.33 times. The implied P/E ratio of the Company, based on the Share Offer Price, of approximately 7.52 times is significantly lower than the average and the median of the P/E ratios of the Comparable Companies for both business segments.

As illustrated in the tables above, the P/B ratios of the Comparable Companies for construction and renovation related business ranged from approximately 0.31 times to approximately 11.76 times, with an average of approximately 4.36 times (same as the median); and the P/B ratios of the Comparable Companies for property and facility management business ranged from approximately 1.64 times to approximately 1.68 times, with an average of approximately 1.66 times (same as the median). The implied P/B ratio of the Company, based on the Share Offer Price, of approximately 1.35 times is significantly lower than the average and the median of the P/B ratios of the Comparable Companies for construction and renovation related business and is also lower than the average and the median of the P/B ratios of the Comparable Companies for property and facility management business.

#### **4. Principal terms of the Option Offer**

As at the Latest Practicable Date, the Company had 4,250,000 Options outstanding, of which the subscription rights attached to (a) 4,130,000 Options may be exercised at an exercise price of HK\$0.952 for each Share; and (b) 120,000 Options may be exercised at an exercise price of HK\$0.86 for each Share.

The Option Offer to cancel each Option is calculated on a “see-through” basis, pursuant to which each Option Holder will be entitled to receive a price for his/her Options being the amount by which the Share Offer Price exceeds the exercise price of his/her Options. We note that the adoption of a “see-through” basis is normally adopted in Hong Kong for general offers of a similar nature. Therefore, we consider such basis of determining the offer price of the Option Offer is acceptable and in line with market price.

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### 5. Information on the Offeror

As stated in the “Letter from Kingston Securities” contained in the Composite Document, the Offeror was incorporated in the British Virgin Islands with limited liability on 5 October 2016. The Offeror is an investment holding company and, save for the Acquisitions, it had not carried on any business since its incorporation. As at the Latest Practicable Date, the Offeror is wholly owned by Mrs. Chu, who is also the sole director of the Offeror.

As referred to in the “Letter from Kingston Securities”, Mrs. Chu Yuet Wah, aged 58, is a reputable and experienced businesswoman with over 20 years of experience in the financial services industry and 35 years of experience in property investments in Hong Kong and overseas. Mrs. Chu has also been appointed as the Vice Chairman of The Institute of Securities Dealers and Vice Chairman of Hong Kong Securities Professionals Association. Moreover, she is a Member of National Committee of Chinese People’s Political Consultative Conference, Permanent Member of the Friends of Hong Kong Association, Founder and Honorary Chairman of The Chamber of Hong Kong Listed Companies, Chairman (2015-16) and Advisory Board Member (2016-17) of Po Leung Kuk, Standing Chairman of Federation of Hong Kong Guangdong Community Organisations, Chairman of the Hong Kong Federation of Dongguan Associations, Chairman of Aplichau Promotion of Tourism Association, Chairman of The Aplichau KaiFong Welfare Association Honorary President of Hong Kong Army Cadets Association, Honorary President of Hong Kong New Arrivals Services Foundation Limited, Honorary Vice President of Hong Kong Girl Guides Association and Director of Sun Yat-Sen University Advisory Board. She received an Honorary Ph.D. degree in Business Management from York University, the United States and holds a Bachelor’s degree in Management degree from Golden Gate University, the United States. Mrs. Chu is currently the chief executive officer and an executive director of Kingston Financial Group Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1031), and the chairman and an executive director of Sincere Watch (Hong Kong) Limited, a company whose shares are listed on the Main Board of Stock Exchange (stock code: 444).

The Offeror and Mrs. Chu are third parties independent of, and not acting in concert with, either Vendor I or Vendor II.

### 6. Intention of the Offeror in relation to the Group

As stated in the “Letter from Kingston Securities”, the Offeror intends to continue the existing principal activities of the Group. Following completion of the Offers, the Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group in order to enhance its financial performance as well as value to the Shareholders in the long run. As at the Latest Practicable Date, the Offeror has no concrete plan for any acquisition or disposal of the existing assets or business of the Group. The Offeror has no intention to discontinue the employment of any employees of the Group (save for changes in the composition of the Board) and dispose of or redeploy the fixed assets of the Group other than in the ordinary course of business.

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### 7. Proposed Change of Composition of the Board

As stated in the “Letter from Kingston Securities”, upon close of the Offers, save for Ir. Joseph Choi Kin Hung and Mr. Lui Chun Pong who have indicated that they intend to resign following the close of the Offers, all other existing Directors will remain as Directors immediately following the close of the Offers. The Offeror intends to nominate new Directors to the Board. Pursuant to the terms of SPA, Vendor II shall use its reasonable endeavours to cause such persons as the Offeror may nominate to be appointed as Directors and such appointment(s) shall be effective on a date to be determined by the Offeror and/or such effective date shall be the earliest date permitted under the Takeovers Code. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made on any proposed change of the composition of the board of directors of the Company.

### 8. Public float and maintaining the listing status of the Company

As stated in the “Letter from Kingston Securities”, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror and any new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## OPINION AND RECOMMENDATION

### *In respect of the Share Offer*

Taking into consideration of the principal factors discussed above and, in particular,

- (i) the proven historical financial information of the Group, including (a) continuous growth in revenue and profit of the Group during the period from FY2014 to 1H2016 and (b) the improvement in financial position of the Group, as evidenced by the increases in net current assets, net assets, and the net asset value per Share of the Group;
- (ii) the future prospects of the Group;
- (iii) the Share Offer Price representing a discount to (a) the average closing price of the Shares during the Review Period and (b) the prevailing market price of the Shares;

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- (iv) the Share Offer Price valuing the Company less favorably when compared with the Comparable Companies in terms of P/E ratio and P/B ratio, as the implied P/E ratio and implied P/B ratio of the Company are lower than the average of the Comparable Companies; and
- (v) the Offeror's stated intention to maintain the existing principal activities of the Group and, subject to its review, to bring in new assets/business in order to enhance its financial performance as well as value to the Shareholders in the long run although no concrete plan has yet been formalised;

we consider that the terms of the Share Offer are not attractive to the Independent Shareholders and thus in this respect not fair and reasonable so far as the Independent Shareholders are concerned. We advise the Independent Board Committee to recommend the Independent Shareholders not to accept the Share Offer.

**Independent Shareholders, having regard their own investment objectives and risk tolerance level, should consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer, if the proceeds from the sale of such Shares in the open market (net of related expenses) exceed the net amount receivable under the Share Offer. Nevertheless, given that the trading volume of the Shares has been thin during the Review Period, Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for the Independent Shareholders who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares. They are therefore strongly advised to carefully and closely monitor the market price and liquidity of the Shares during the Offer Period.**

**For those Independent Shareholders who are optimistic about the Group's future prospects and/or the background of the Offeror, they may consider retaining part or all of their investment in the Company to enjoy the potential growth of the Group, but should closely monitor the future development of the Group subsequent to the close of the Offers.**

**In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable after the Offer Period.**

### ***In respect of the Option Offer***

As we consider that the terms of the Share Offer are not attractive, we consider that the terms of the Option Offer, which is calculated on a "see-through" basis, are not fair and reasonable so far as the Option Holders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Option Holders not to accept the Option Offer, instead, to consider exercising their Options and consider (1) to dispose of part or all of their Shares so converted in the open market during the Offer Period if the net proceeds from such actions (after deducting all transaction costs) exceed the net amount receivable under the Option Offer or (2) to retain part or all of their investments to enjoy the potential growth of the Group. **Option Holders' attention is drawn to our opinion and recommendation in respect of the Share Offer as discussed above in the event they wish to exercise their options.**

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However, the Option Holders are reminded that there will be a time lag between the exercise of the Options and the receipt of the conversion Shares due to the time required for the administrative procedures for exercising the Options. Accordingly, the Option Holders who wish to exercise their Options should be mindful of the possible price fluctuations of the Shares during the aforesaid time lag. Option Holders are also recommended to consult their own professional advisers if they are in any doubt as to the tax implications of exercising their Options or accepting the Option Offer. Furthermore, the Option Holders are reminded that, the two share option schemes adopted by the Company on 19 September 2003 and 17 June 2013 respectively provide that, upon the making of a general offer to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Option Holders are entitled to exercise the Options (to the extent not already lapsed or exercised) at any time within 30 days after the date on which such general offer becomes or is declared unconditional. On the expiry of the aforementioned period, all Options will lapse automatically.

Yours faithfully  
For and on behalf of  
**INCUCorporate Finance Limited**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

## 1. PROCEDURES FOR ACCEPTANCE

To accept any of the Offers, you should complete and sign the Forms of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the relevant Offers.

### 1.1 The Share Offer

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong marked "Synergis Holdings Limited – Share Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the **white** Form of Share Offer Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the **white** Form of Share Offer Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror and/or Kingston Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the **white** Form of Share Offer Acceptance.
- (d) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the **white** Form of Share Offer Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be provided to the Registrar.

- (e) Acceptance of the Share Offer will be treated as valid only if the completed and signed **white** Form of Share Offer Acceptance is received by the Registrar by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares and, if that/those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) inserted in the **white** Form of Share Offer Acceptance, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Share Offer. If no number is inserted or a number inserted is greater or smaller than that represented by the certificates for Shares tendered for acceptance of the Share Offer, the **white** Form of Share Offer Acceptance will be returned to you for correction and resubmission. Any corrected **white** Form of Share Offer Acceptance must be resubmitted and received by the Registrar by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or
  - (iii) from a registered Independent Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
  - (iv) certified by the Registrar or the Stock Exchange.
- (f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.
- (g) No acknowledgement of receipt of any **white** Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares will be given.

## 1.2 The Option Offer

- (a) If you are an Option Holder and you wish to accept the Option Offer in respect of your Options (whether in full or in part), you must send the duly completed and signed **yellow** Form of Option Offer Acceptance together with the relevant certificate(s) or other documents (if any) evidencing the grant of the Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Options which you hold that you wish to tender to the Option Offer to the company secretary of the Company at 10th floor Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong marked "Synergis Holdings Limited – Option Offer" on the envelope as soon as possible but in any event so as to reach the company secretary of the Company by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) No stamp duty will be deducted from the amount paid or payable to the Option Holder(s) who accept(s) the Option Offer.
- (c) No acknowledgement of receipt of any **yellow** Form of Option Offer Acceptance and/or the certificate(s) or other documents (if any) evidencing the grant of the Options to you and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Options will be given.

## 2. SETTLEMENT UNDER THE OFFERS

### 2.1 The Share Offer

Provided that a valid **white** Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid.

## 2.2 The Option Offer

Provided that a valid **yellow** Form of Option Offer Acceptance and the relevant certificate(s) or other documents (if any) evidencing the grant of the Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Options are complete and in good order and in all respects and have been received by the company secretary of the Company by not later than 4:00 p.m. on the Offers Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque or a banker's cashier order for the amount due to each of the Option Holders who accept the Option Offer in respect of the Shares Options tendered by him/her under the Option Offer will be despatched to such Option Holder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of the Company to render each such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder or Option Holder is entitled under the Share Offer or the Option Offer, as the case may be, will implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder or Option Holder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder or Option Holder who accepts the Share Offer or the Option Offer will be rounded up to the nearest cent.

## 3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offers are made on 13 January 2017, being the date of despatch of this Composite Document, and is capable of acceptance on and from this date until 4:00 p.m. on the Offers Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Offers Closing Date stating the results of the Offers and whether the Offers have been revised or have expired.
- (c) Unless the Offers have previously been revised with the consent of the Executive, to be valid, the **white** Form of Share Offer Acceptance must be received by the Registrar and the **yellow** Form of Option Offer Acceptance must be received by the company secretary of the Company, in each case, in accordance with the instructions printed thereon by 4:00 p.m. on the Offers Closing Date.
- (d) If, in the course of the Offers, the Offeror revise the terms of the Offers, all Independent Shareholders and Option Holders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Offers Closing Date.

- (e) The Offeror will not extend the offer period for the Offers beyond 21 days following the date of despatch of the Composite Document, unless otherwise required by the Takeovers Code or other regulation.

#### **4. NOMINEE REGISTRATION**

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

#### **5. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Offers Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry and revision of the Offers. The Offeror must publish an announcement in accordance with the Takeovers Code on the Stock Exchange's website by 7:00 p.m. on the Offers Closing Date stating the results of the Offers and whether the Offers have been revised or expired. The announcement will state the following:
  - (i) the total number of Offer Shares for which acceptances of the Share Offer have been received;
  - (ii) the total number of Options for which acceptances of the Option Offer have been received;
  - (iii) the total number of Shares and rights over Shares and Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
  - (iv) the total number of Shares and rights over Shares and Options acquired or agreed to be acquired during the Offer Period by the Offeror and parties acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares and Options represented by acceptances, only valid acceptances that are complete and in good order, and which have been received by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer), no later than 4:00 p.m. on the Offers Closing Date, being the latest time and date for acceptance of the Offers, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers will be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

**6. RIGHT OF WITHDRAWAL**

The Offers are unconditional in all respects. Acceptance of the Offers tendered by Independent Shareholders and the Option Holders shall be irrevocable and cannot be withdrawn.

Furthermore, in the circumstances set out in Rule 19.2 of the Takeovers Code (which is to the effect that if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers as described under the paragraph headed “5. Announcements” above), the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

In such case, when the Independent Shareholder(s) or Option Holder(s) withdraw his/her/its acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or certificate(s) of Options and/or other document(s) of title (and/or any indemnity or indemnities provided in respect thereof) lodged with the Forms of Acceptance to the relevant Shareholder(s) or Option Holder(s) at his/her/its own risks.

Save as aforesaid, acceptances of the Offers shall be irrevocable and not capable of being withdrawn.

**7. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTION HOLDERS**

The making of the Offers to the Overseas Shareholders and the Overseas Option Holders may be affected by the laws of the relevant jurisdictions. The Overseas Shareholders and the Overseas Option Holders should observe any applicable legal or regulatory requirements. The Overseas Shareholders and the Overseas Option Holders should obtain appropriate legal advice regarding the implications of the Offers in the relevant jurisdictions with a view to observing any applicable legal or regulatory requirements. It is the responsibility of the Overseas Shareholders and the Overseas Option Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or regulatory or legal requirements. The Overseas Shareholders and the Overseas Option Holders will also be fully responsible for the payment of any transfer or other taxes or other required payments and duties by the accepting Overseas Shareholders or Overseas Option Holders payable in respect of all relevant jurisdictions. Acceptance of the Offers by the Overseas Shareholders and the Overseas Option Holders will constitute a representation and warranty by such person that the local laws and requirements have been complied with and such person is permitted under all applicable laws to receive and accept the Offers, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

**8. TAX IMPLICATIONS**

Independent Shareholders and Option Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasised that none of the Company, the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, INCU, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other persons involved in the Offers is in a position to advise the Independent Shareholders and Option Holders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

**9. GENERAL**

- (i) All communications, notices, Forms of Acceptance, share certificate(s), certificate(s) of Options, transfer receipts (as the case may be), other documents of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Option Holders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Company, the Offeror and parties acting in concert with it, Kingston Securities, and any of their respective agents nor the Registrar or the company secretary of the Company or other parties involved in the Offers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Forms of Acceptance form part of the terms of the Offers.
- (iii) The accidental omission to despatch this Composite Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (iv) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Forms of Acceptance will constitute an authority to the Offeror, Kingston Securities, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has accepted the Offers.
- (vi) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares are sold to the Offeror free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them as at the date of this Composite Document or subsequently becoming attached to them, including the right to the receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offers are made, being the date of despatch of this Composite Document. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.
- (vii) Reference to the Offers in this Composite Document and in the Forms of Acceptance shall include any revision thereof.

- (viii) In making their decision, the Independent Shareholders and Option Holders must rely on their own examination of the Offeror, the Group and the terms of the Offers, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror and parties acting in concert with it, the Company, Kingston Securities, Kingston Corporate Finance, INCU and the Registrar. The Independent Shareholders and Option Holders should consult their own professional advisers for professional advice.
- (ix) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2015 and for the six months ended 30 June 2016 as extracted from the relevant annual and interim reports of the Company.

	For the six months ended 30 June 2016 (Unaudited) HK\$'000	For the year ended 31 December 2015 (Audited) HK\$'000	2014 (Audited) HK\$'000	2013 (Audited) HK\$'000
Revenue	1,180,024	2,447,379	1,906,253	1,680,076
Profit before taxation	23,765	67,524	56,098	45,804
Income tax expenses	(4,600)	(12,243)	(10,756)	(11,413)
Profit for the period/year	19,165	55,281	45,342	34,391
Profit attributable to:				
Equity holders of the Company	19,342	55,281	45,342	34,392
Non-controlling interests	(177)	–	–	(1)
Dividend	6,419	21,380	29,028	22,660
Earnings per Share ( <i>HK cents</i> )				
Basic	5.2	14.9	11.9	9.0
Diluted	4.5	12.8	10.8	8.5
Dividend per Share ( <i>HK cents</i> )	1.5	5.0	7.0	5.5

No qualified opinion was given by the auditor of the Company, PricewaterhouseCoopers, in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2015.

The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 December 2015 and for the six months ended 30 June 2016.

**A. Audited Consolidated Financial Statements**

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2015 extracted from the annual report of the Company for the year ended 31 December 2015:

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Revenue	5	2,447,379	1,906,253
Cost of sales		<u>(2,261,438)</u>	<u>(1,720,107)</u>
Gross profit		185,941	186,146
Other income		7,463	7,422
General and administrative expenses		(108,333)	(121,427)
Amortisation of intangible assets		(8,283)	(8,726)
Interest expenses	6	(7,007)	(7,317)
Loss on disposal of a subsidiary	27	<u>(2,257)</u>	<u>–</u>
Profit before taxation	7	67,524	56,098
Taxation	11	<u>(12,243)</u>	<u>(10,756)</u>
Profit for the year		<u><u>55,281</u></u>	<u><u>45,342</u></u>
Earnings per share for profit attributable to the equity holders of the Company			
– basic	13	<u><u>14.9 cents</u></u>	<u><u>11.9 cents</u></u>
– diluted	13	<u><u>12.8 cents</u></u>	<u><u>10.8 cents</u></u>
Dividends	12	<u><u>21,380</u></u>	<u><u>29,028</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit for the year</b>	55,281	45,342
<b>Other comprehensive loss:</b>		
<u>Items that will not be reclassified to profit or loss:</u>		
Actuarial loss on long service payment liabilities	(2,450)	(1,524)
<u>Items that may be subsequently reclassified</u>		
<u>to profit or loss:</u>		
Exchange differences on translating		
foreign operations	(1,811)	(95)
<b>Other comprehensive loss for the year</b>	(4,261)	(1,619)
<b>Total comprehensive income for the year</b>	<u>51,020</u>	<u>43,723</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**CONSOLIDATED BALANCE SHEET**
*As at 31 December 2015*

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	14	6,883	8,891
Investment properties	15	3,040	2,800
Intangible assets	16	40,691	48,974
Goodwill	16	171,794	168,968
Deferred tax assets	25	91	144
<b>Total non-current assets</b>		<u>222,499</u>	<u>229,777</u>
<b>Current assets</b>			
Contracting work-in-progress	17	299,158	180,871
Receivables	18	470,877	326,089
Deposits and prepayments	18	35,545	56,136
Amounts due from fellow subsidiaries	19	58,633	53,444
Amount due from ultimate holding company	19	12,939	12,358
Taxation recoverable		83	244
Deposit, cash and cash equivalents	20	129,841	91,195
<b>Total current assets</b>		<u>1,007,076</u>	<u>720,337</u>
<b>Current liabilities</b>			
Payables and accruals	21	630,796	431,763
Bank loans	26	293,536	247,000
Amount due to non-controlling interests	19	1,148	–
Amount due to other partner of joint operations		6	144
Amounts due to fellow subsidiaries	19	588	5,504
Taxation payable		12,900	8,950
<b>Total current liabilities</b>		<u>938,974</u>	<u>693,361</u>
<b>Net current assets</b>		<u>68,102</u>	<u>26,976</u>
<b>Total assets less current liabilities</b>		<u>290,601</u>	<u>256,753</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Long service payment liabilities	24	3,977	1,940
Deferred tax liabilities	25	<u>7,232</u>	<u>8,859</u>
<b>Total non-current liabilities</b>		<u>11,209</u>	<u>10,799</u>
<b>Net assets</b>		<u>279,392</u>	<u>245,954</u>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	22	42,768	41,589
Retained profits and other reserves	23	227,143	187,729
Proposed dividends		<u>10,692</u>	<u>16,636</u>
		280,603	245,954
<b>Non-controlling interests</b>		<u>(1,211)</u>	<u>–</u>
<b>Total equity</b>		<u>279,392</u>	<u>245,954</u>

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2014	41,200	95,401	1,513	3,997	1,420	80,443	223,974	225	224,199
Profit for the year	-	-	-	-	-	45,342	45,342	-	45,342
Other comprehensive loss	-	-	-	-	(95)	(1,524)	(1,619)	-	(1,619)
Total comprehensive (loss)/income	-	-	-	-	(95)	43,818	43,723	-	43,723
2013 final dividend paid (note 12)	-	-	-	-	-	(14,420)	(14,420)	-	(14,420)
2014 interim dividend paid (note 12)	-	-	-	-	-	(12,392)	(12,392)	-	(12,392)
Share option scheme	-	-	-	1,728	-	-	1,728	-	1,728
Transfer upon share options lapsing	-	-	-	(1,759)	-	1,759	-	-	-
Issue of shares upon exercise of share options	389	3,821	-	(869)	-	-	3,341	-	3,341
Payment to non-controlling interests due to dissolution of a non-wholly owned subsidiary	-	-	-	-	-	-	-	(225)	(225)
At 31 December 2014	41,589	99,222	1,513	3,097	1,325	99,208	245,954	-	245,954
At 1 January 2015	41,589	99,222	1,513	3,097	1,325	99,208	245,954	-	245,954
Profit for the year	-	-	-	-	-	55,281	55,281	-	55,281
Other comprehensive loss	-	-	-	-	(1,811)	(2,450)	(4,261)	-	(4,261)
Total comprehensive (loss)/income	-	-	-	-	(1,811)	52,831	51,020	-	51,020
2014 final dividend paid (note 12)	-	-	-	-	-	(16,844)	(16,844)	-	(16,844)
2015 interim dividend paid (note 12)	-	-	-	-	-	(10,688)	(10,688)	-	(10,688)
Share option scheme	-	-	-	958	-	-	958	-	958
Transfer upon share options lapsing	-	-	-	(602)	-	602	-	-	-
Issue of shares upon exercise of share options	1,179	11,713	-	(2,689)	-	-	10,203	-	10,203
Increase in non-controlling interests due to acquisition of a subsidiary	-	-	-	-	-	-	-	(1,211)	(1,211)
At 31 December 2015	42,768	110,935	1,513	764	(486)	125,109	280,603	(1,211)	279,392

Note:

Bonus convertible preference shares were issued on 20 May 2013 in accordance with the 2012 result of ISP. During the year ended 31 December 2014 and 2015, none of the convertible preference shares were converted.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the year ended 31 December 2015*

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Cash generated from operations	29	28,173	83,085
Income taxes paid		(9,329)	(9,309)
<b>Net cash generated from operating activities</b>		18,844	73,776
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,702)	(3,953)
Proceeds from disposal of property, plant and equipment		100	254
Proceeds from disposal of an investment property		–	1,300
Interest received		85	67
Interest paid		(6,906)	(7,265)
Payment to non-controlling interests due to dissolution of a non-wholly owned subsidiary		–	(225)
Disposal of a subsidiary, net of cash disposed of	27	943	–
Acquisition of a subsidiary, net of cash acquired	16	263	–
Time deposit over three months		–	674
<b>Net cash used in investing activities</b>		(8,217)	(9,148)
<b>Financing activities</b>			
Issuance of shares upon exercise of share options		10,203	3,341
Drawdown of bank loans		514,890	192,379
Repayment of bank loans		(468,354)	(221,379)
Dividend paid		(27,532)	(26,812)
<b>Net cash generated from/(used in) financing activities</b>		29,207	(52,471)
<b>Net increase in deposit, cash and cash equivalents</b>		39,834	12,157
Deposit, cash and cash equivalents at the beginning of the year		91,195	79,153
Exchange loss on deposit, cash and cash equivalents		(1,188)	(115)
<b>Deposit, cash and cash equivalents at the end of the year</b>		<u>129,841</u>	<u>91,195</u>

**NOTES TO THE FINANCIAL STATEMENTS****1 General Information**

Synergis Holdings Limited (the “Company”) was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company on 4 August 2003. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 October 2003.

The principal business of the Company and its subsidiaries (together the “Group”) are principally engaged in the provision of property management and facility management services, ISP business and ancillary business in Hong Kong, Chinese Mainland and Macau.

The consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated, and were approved for issue by the Board of Directors on 23 March 2016.

**2 Basis of Preparation and Accounting Policies**

The consolidated financial statements of Synergis Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

**(a) New and Amended Standards Adopted by the Group**

The following new/revised HKFRSs, amendments and improvements are mandatory for the first time for the financial year beginning 1 January 2015.

HKAS 19 (2011) Amendment	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvement 2010 – 2012 Cycle
Annual Improvements Project	Annual Improvement 2011 – 2013 Cycle

The application of the above amendments and improvements in the current year has had no material effect on the Group's reported financial performance and position for the current and prior year and/or disclosures set out in these consolidated financial statements.

**(b) New and Amended Standards have been Issued and are Relevant to the Group, but are not Effective for the Financial Year Beginning 1 January 2015 and have not been Early Adopted in Preparing these Consolidated Financial Statements**

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective date to be determined by the IASB

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

**(c) *New Hong Kong Companies Ordinance (Cap.622)***

In addition, the requirements of Part 9 “Accounts and Audit” of new Hong Kong Company Ordinance (Cap.622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

**2.1 Basis of Consolidation**

**(a) *Subsidiaries***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company’s balance sheet, the investments in subsidiaries are accounted for at cost less impairment (*note 2.9*). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

**(b) *Business combinations***

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (*note 2.5*).

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(c) *Transactions with non-controlling interests***

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

**(d) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**2.2 Joint Arrangements**

Investments in joint arrangements are classified as either joint operations or joint ventures; depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. For the joint arrangements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, they are classified as joint operations. For the remaining joint arrangements, they are classified as joint ventures.

**2.3 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker identified as the Executive Committee, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions.

**2.4 Foreign Currency Translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars (HK\$), which is the Company's and the Group's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**(c) Group companies**

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

**2.5 Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

## 2.6 Intangible Assets

### (a) Trademarks

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks and trade names that have a definite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 15 years.

Trademarks that have indefinite useful lives are not amortized. They subject to impairment testing annually and whenever there is an indication that it may be impaired.

### (b) Backlog orders

Backlog orders acquired in a business combination are recognised at fair value at the acquisition date. The secured contracts have a finite useful life and carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contracts of 3 years.

### (c) Non-competition agreement

Non-competition agreement acquired in a business combination are recognised at fair value at the acquisition date. The non-competition agreement have a finite useful life and carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contracts of 15 years.

## 2.7 Investment Properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the companies in the Group. Investment property comprises land held under operating leases and buildings held under finance leases.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is revaluated bi-annually based on active market prices, adjusted for any necessary difference in the nature, location or condition of the specific asset.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. Changes in fair values are recognised in the income statement.

## 2.8 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in each asset's carrying amount only when it is probable that there is future economic benefit to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method based on estimated useful lives, as follows:

Leasehold improvements	Over the lease period
Motor vehicles	25% – 30% per annum
Furniture and equipment	10% – 50% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (*note 2.9*).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

## 2.9 Impairment of Investment in Subsidiaries and Non-Financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.10 Contracting Work-in-Progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profit after deducting progress payments and allowances for foreseeable losses. Cost comprises direct materials, labour and overheads attributable in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

### 2.11 Financial Assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except that for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of receivables is described in note 2.12.

### 2.12 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowances account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

### 2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and such amount can be reasonably estimated. Where the Group expects a provision will be reimbursed, the reimbursement is recognised as a separate asset.

**2.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**2.15 Deposit, Cash and Cash Equivalents**

Deposit, cash and cash equivalents include cash in hand and deposits held at call with banks.

**2.16 Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or else, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.17 Employee Benefits****(a) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they are accrued to employees. It is the Group's policy to forfeit any untaken annual leave with a specific time period. Subject to regular assessment of staff turnover rate, a provision will be made or reversed. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave. A provision is made for the estimated liability up to the balance sheet date.

**(b) Profit sharing and bonus plans**

Provisions for profit sharing and bonus are made for the estimated liability for incentive bonus as a result of services rendered by employees up to the balance sheet date, where there is a contractual obligation or past practice that has created a constructive obligation, and a reliable estimate of the obligation can be made.

**(c) Retirement benefit**

The Group participates in mandatory provident fund schemes in Hong Kong which are defined contribution plan generally funded through payments to trustee – administered funds. The assets of the schemes is held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in the People's Republic of China ("PRC"), the subsidiaries in PRC participates in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government of the PRC is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

**(d) Long service payment liabilities**

The Group's net obligation in respect of long service accounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value and reduced by entitlements accrued under the Group's retirement plans. The obligation is calculated using the projected unit credit method by a qualified actuary. Actuarial gains or losses was charged/credited to consolidated statement of comprehensive income.

**(e) Share option scheme**

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### 2.18 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. It can also be a present obligation arising from past events that is not recognised because outflow of economic resources is considered not probable or the amount cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability in that outflow becomes probable, it will then be recognised as a provision.

### 2.19 Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates tax related situations and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.20 Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**2.21 Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns and discounts and after eliminating sales within the Group.

Property and facility management fees are recognised when the services are rendered and in accordance with the terms of agreements. There are two types of agreement, namely management remuneration contracts ("MR Contracts") and lump sum contracts ("LS Contracts"). Under a MR Contract, the Group is remunerated based on a fixed percentage of the costs involved in the management of the property or facility, and only such fee is recognised as the Group's revenue. Under a LS Contract, the Group is paid a lump sum fee which normally covers the costs involved, thus the whole of lump sum fee is recognised as the Group's revenue.

Revenue from provision of other supporting services is recognised when the services are rendered.

Revenue from contracting work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contracts.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

Interest income and other contracting income are recognised on a time proportion basis, taking into account the principal amounts or refundable deposits outstanding and the effective interest rates applicable.

**2.22 Dividend Distribution**

Dividend distribution to the Company's shareholders is recognised as a liability when approved, whereas dividend proposed but not yet approved is recognised as an appropriation of retained earnings.

### 3 Financial Risk Management

#### 3.1 Financial Risk Factors

Risk management seeks to minimise any potential material effects on the Group's financial performance from the following factors.

(a) *Market risk*

(i) Foreign exchange risk

The Group's operation in the Chinese Mainland is exposed to exchange risk arising from Renminbi. Hedging has not been effected due to immateriality of the working capital balances.

(ii) Interest rate risk

At 31 December 2015, if interest rates on Hong Kong dollar denominated borrowings had been 50 basis points (2014: 50 basis points) higher or lower with all other variables held constant, the Group's profit for the year would have decreased/increased by approximately HK\$1,474,000 (2014: HK\$1,308,000) as a result of higher or lower interest expenses on floating rate bank borrowings respectively.

(b) *Credit risk*

The Group's credit risk primarily arises from credit exposures to receivables. Current policies ensure that sales and services are made to customers with an appropriate credit history and subject to periodic credit evaluations. Collection of outstanding receivables is closely monitored on an ongoing basis.

As at 31 December 2015, the Group's two largest customers accounted for approximately 28.4% of the Group's total accounts receivable (2014: approximately 26.4%). These customers have a good credit history and the Group does not consider there to be any significant credit risk in this regard. Certain customers have exceeded their respective credit terms during the reporting period (note below on receivables). However, management does not expect any significant losses from non-performance by these counterparties because of their good repayment history.

(c) *Liquidity risk*

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, and having available funding through an adequate amount of committed credit facilities.

Cash flow forecast is performed in the operating segments of the Group and aggregated by corporate finance team. Corporate finance team monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Taking into account the Group's financial position, the Directors do not consider that the bank will exercise its discretion to demand immediate payment, and believe that the bank loan will be repaid in accordance with the scheduled repayment dates set out in note 26. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest payment.

However, for bank loans containing a repayment on demand clause, if the lenders were to invoke their unconditional rights to call the loans with immediate effect, including short term revolving loans of HK\$185,536,000 which is subject to annual review by lenders and bank loans of HK\$108,000,000 with scheduled repayment dates, will be on demand for repayment immediately, excluding interest payments.

#### Financial risk factors

##### Liquidity risk (in HK\$'000)

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Total
<b>At 31 December 2015</b>				
Term loans subject to a repayment on demand clause	28,023	86,868	–	114,891
Other bank loans	185,818	–	–	185,818
Payables and accruals	604,438	26,358	–	630,796
Amount due to non-controlling interests	1,148	–	–	1,148
Amount due to other partner of joint operations	6	–	–	6
Amounts due to fellow subsidiaries	588	–	–	588
<b>Total</b>	<b>820,021</b>	<b>113,226</b>	<b>–</b>	<b>933,247</b>
	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Total
<b>At 31 December 2014</b>				
Term loans subject to a repayment on demand clause	28,930	28,034	86,092	143,056
Other bank loans	115,190	–	–	115,190
Payables and accruals	419,921	11,842	–	431,763
Amount due to other partner of joint operations	144	–	–	144
Amounts due to fellow subsidiaries	5,504	–	–	5,504
<b>Total</b>	<b>569,689</b>	<b>39,876</b>	<b>86,092</b>	<b>695,657</b>

### **3.2 Capital Risk Management**

In managing its capital, the Group's objectives are to safeguard its ability to continue operation as a going concern while keeping an optimal capital level to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### **3.3 Fair Value Estimation**

The carrying amounts of the Group's current assets approximate their fair values due to their short term maturities.

## **4 Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may not, by definition, equal the related actual results. Those estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of each of the assets and liabilities are discussed below.

### **(a) Useful lives of property, plant and equipment and intangible assets**

Management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. Such estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions.

### **(b) Receivables and deposits**

Management determines the provision for impairment of receivables and deposits based on assessment of the recoverability of the receivables and deposits. The assessment is based on the credit history of its customers and debtors and the current market condition, which requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

**(c) Construction contracts**

As explained in note 2.21, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, as well as the work done to date. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. A considerable amount of judgement is required in estimating the total contract revenue, contract costs, variation works and contract claims which may have an impact in terms of percentage of completion and job profit taken.

As at 31 December 2015, the Group had an arbitration claim in respect of disputes between the Group and the employer in a building construction contract. The Group has been negotiating with the employer. The case is under examination by the arbitrator and the directors are of the view that no provision is required as at 31 December 2015. The determination of the provision involved significant management estimation.

**(d) Impairment of assets**

The Group tests annually whether goodwill and trademark have suffered any impairment in accordance with the accounting policy stated in note 2.9. The recoverable amounts of goodwill and trademark are the higher of the assets' fair values less costs to sell and value in use.

A considerable amount of judgement and assumptions are required in estimating the recoverable amount of goodwill and trademark, including growth rate, gross margin and weighted average discount rate applied to the discounted cashflows.

The Group also assesses annually for an intangible asset that is not being amortised, to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. For the trademarks held by the Group, management carries out the assessment by performing an analysis of all of the relevant factors, including the ability to hold and use the trademarks and the market environment of relevant industry, to consider whether there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less cost to sell or value-in-use calculations. These value-in-use calculations require the use of estimates.

No impairment was made during the year.

**(e) Income tax**

The Group is subject to income taxes in judgement Hong Kong, Macau and the PRC. Significant is required in determining the provision for PRC income taxes. There are a number of transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

**5 Segment Information**

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, identified as the Executive Committee, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions. The reportable operating segments are:

- property and facility management services in Hong Kong;
- property and facility management services in Chinese Mainland including leasing services;
- ancillary business including security, cleaning, laundry, etc.; and
- interiors and special projects

During the year, the Group has changed the composition of its reportable segments to four operating segments (2014: Five), mainly combining the result of repair and maintenance into ISP due to segment performance assessment within the Group. The corresponding segment information for the year ended 31 December 2014 have been restated.

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

### (a) Segment Results (in HK\$'000)

	Property and Facility Management Services					Corporate (Note 1)	Total
	Hong Kong	Chinese Mainland	Ancillary Business	Property and Facility Management and Ancillary Business	Interiors and Special Projects		
<b>2015</b>							
Revenue	582,409	91,771	89,358	763,538	1,683,841	–	2,447,379
Gross profit	61,281	14,380	17,951	93,612	92,329	–	185,941
Operating expenses	(28,095)	(14,277)	(10,645)	(53,017)	(29,545)	(21,786)	(104,348)
Operating profit/(loss)	33,186	103	7,306	40,595	62,784	(21,786)	81,593
Amortisation of intangible assets				–	–	(8,283)	(8,283)
Acquisition loan interest expenses				–	–	(4,524)	(4,524)
Interest expenses				(455)	(2,028)	–	(2,483)
Other expenses				(1,256)	(1,771)	(958)	(3,985)
Other income				4,345	861	–	5,206
Profit before taxation				43,229	59,846	(35,551)	67,524
Taxation				(2,883)	(9,360)	–	(12,243)
Profit for the year				40,346	50,486	(35,551)	55,281
	Property and Facility Management Services					Corporate (Note 1)	Total
	Hong Kong	Chinese Mainland	Ancillary Business	Property and Facility Management and Ancillary Business	Interiors and Special Projects		
<b>2014</b>							
Revenue	624,913	85,995	84,060	794,968	1,111,285	–	1,906,253
Gross profit	67,100	18,656	19,101	104,857	81,290	–	186,147
Operating expenses	(28,961)	(20,788)	(9,657)	(59,406)	(30,708)	(26,464)	(116,578)
Operating profit/(loss)	38,139	(2,132)	9,444	45,451	50,582	(26,464)	69,569
Amortisation of intangible assets				–	–	(8,726)	(8,726)
Acquisition loan interest expenses				–	–	(5,370)	(5,370)
Interest expenses				(148)	(1,799)	–	(1,947)
Other expenses				(2,163)	(959)	(1,728)	(4,850)
Other income				4,472	2,950	–	7,422
Profit before taxation				47,612	50,774	(42,288)	56,098
Taxation				(3,806)	(6,950)	–	(10,756)
Profit for the year				43,806	43,824	(42,288)	45,342

Note 1: Corporate mainly represents corporate and administrative activities, and shared services.

**(b) Customer Information**

For the year ended 31 December 2015, revenue of approximately HK\$265,694,000 was derived from one single external customer which was attributable to ISP (for the year ended 2014: HK\$142,280,000 was derived from one single external customers which was attributable to property and facility management services).

**6 Interest Expenses**

The entire amount was attributable to the bank loans (2014: The entire amount was attributable to the bank loans).

**7 Profit before Taxation**

	2015 HK\$'000	2014 HK\$'000
Profit before taxation is arrived after charging/(crediting):		
Staff costs, including directors' emoluments (note 8)	712,261	720,696
Depreciation	4,425	5,847
Auditor's remuneration		
– audit services	1,269	1,138
– non-audit services	198	187
Operating lease rental on land, buildings and office equipment	11,923	11,521
Other contracting income	(3,028)	(2,990)
Gain on disposal of an investment property	–	(400)
	<u>712,261</u>	<u>720,696</u>

**8 Staff Costs, Including Directors' Emoluments**

	2015 HK\$'000	2014 HK\$'000
Wages and salaries		
– included in cost of sales	618,969	622,297
– included in general and administrative expenses	67,515	70,760
Retirement benefit	24,819	25,911
Share option expenses	958	1,728
	<u>712,261</u>	<u>720,696</u>

## 9 Benefits and Interest of Directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

### (a) Directors emoluments (in HK\$'000)

Certain comparative information of the directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

The remuneration of every director is set out below:

#### For the year ended 31 December 2015

Name of Director	Fees	Salary*	Discretionary Bonus*	Estimated money value of other benefits*	Employer's contribution to a retirement benefit scheme*	Total
<i>Executive Directors</i>						
Fan Cheuk Hung <sup>2</sup>	134	1,760	284	121	237	2,536
Terence Leung Siu Cheong <sup>3</sup>	109	2,196	1,959	80	18	4,362
Brenda Yau Shuk Mee <sup>3</sup>	109	1,482	315	48	74	2,028
Joseph Choi Kin Hung <sup>4</sup>	9	68	324	–	–	401
Lui Chun Pong <sup>4</sup>	9	14	–	–	–	23
<i>Non-executive Director</i>						
Wilfred Wong Ying Wai <sup>1</sup>	149	3,114	927	109	15	4,314
<i>Independent non-executive Directors</i>						
Stephen Ip Shu Kwan	240	–	–	35	–	275
Kan Fook Yee	240	–	–	35	–	275
Wong Tsan Kwong	240	–	–	35	–	275
David Yu Hon To	240	–	–	35	–	275
	<u>1,479</u>	<u>8,634</u>	<u>3,809</u>	<u>498</u>	<u>344</u>	<u>14,764</u>

\* Except for the independent non-executive directors, the amounts represented emoluments in respect of services provided in connection with the management of the affairs of the Company or its subsidiaries undertaking.

<sup>1</sup> Re-designated as a Non-executive Director with effect from 1 November 2015 and resigned as a Non-executive Director with effect from 11 December 2015

<sup>2</sup> Resigned as an Executive Director with effect from 1 September 2015

<sup>3</sup> Appointed as Executive Directors with effect from 10 April 2015

<sup>4</sup> Appointed as Executive Directors with effect from 11 December 2015

## For the year ended 31 December 2014

Name of Director	Fees	Salary*	Discretionary Bonus*	Estimated money value of other benefits*	Employer's contribution to a retirement benefit scheme*	Total
<i>Executive Directors</i>						
Wilfred Wong Ying Wai	150	3,461	1,464	164	17	5,256
Fan Cheuk Hung	150	2,460	747	178	246	3,781
Catherine Chu <sup>1</sup>	65	443	–	47	20	575
<i>Non-executive Directors</i>						
Tenniel Chu <sup>2</sup>	95	–	–	6	–	101
Barry John Buttifant <sup>3</sup>	29	–	–	2	–	31
<i>Independent non-executive Directors</i>						
Stephen Ip Shu Kwan	220	–	–	14	–	234
Kan Fook Yee	220	–	–	14	–	234
Wong Tsan Kwong	220	–	–	14	–	234
David Yu Hon To	220	–	–	14	–	234
	<u>1,369</u>	<u>6,364</u>	<u>2,211</u>	<u>453</u>	<u>283</u>	<u>10,680</u>

\* Except for the independent non-executive directors, the amounts represented emoluments in respect of services provided in connection with the management of affairs of the Company or its subsidiaries undertaking.

<sup>1</sup> Resigned as an Executive Director with effect from 6 June 2014

<sup>2</sup> Resigned as a Non-executive Director with effect from 6 June 2014

<sup>3</sup> Resigned as a Non-executive Director with effect from 18 February 2014

**(b) Interest of Directors**

- (i) During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2014: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2014: Nil).
- (ii) There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2014: Nil).
- (iii) No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

**(c) Five Highest Paid Individuals**

During the year, the five individuals whose emoluments were the highest in the Group include four directors (2014: two) whose emoluments are included in note 9(a). The emoluments payable to the other one (2014: three) highest paid individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	1,717	4,879
Discretionary bonus	–	1,400
Pension – defined contribution scheme	–	80
Share options expense	65	337
	<u>1,782</u>	<u>6,696</u>

The emoluments of the above individuals fell within the following bands:

	Number of individuals 2015	2014
Emolument band		
HK\$1,000,001 to HK\$2,000,000	1	2
HK\$2,000,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$4,000,000	–	1
	<u>1</u>	<u>3</u>

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**10 Share Option Scheme**

The Company has the Old Option Scheme and New Option Scheme (details of which have been set out on pages 68 to 76 of this annual report). Under the option schemes, the directors may at their absolute discretion grant options to eligible persons who are employees or directors of the Company or its subsidiaries.

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

Movements in the share options under the Option Scheme during the last 2 years are shown as follows:

	Average exercise price (HK\$ per share)	Number of share options '000
As at 1 January 2014	0.90	31,400
Exercised	0.86	(3,890)
Lapsed	0.91	<u>(4,950)</u>
As at 31 December 2014 and 1 January 2015	0.90	22,560
Exercised	0.88	(11,786)
Lapsed	0.92	<u>(2,280)</u>
As at 31 December 2015	<u>0.95</u>	<u>8,494</u>

During the year, the weighted average closing price of the share of the Company immediately before the dates on which the share options were exercised was HK\$2.80 (2014: HK\$1.25).

Out of 8,494,000 outstanding options (2014: 22,560,000), 1,494,000 options (2014: 5,470,000) were exercisable with the average exercise price of HK\$0.94 (2014: HK\$0.88).

Share options outstanding have the following expiry date and exercise price:

Expiry date	Average exercise price (HK\$ per share)	Number of share options ('000)	
		2015	2014
31 August 2015	0.76	–	1,500
24 September 2015	0.82	–	3,500
24 September 2015	0.996	–	150
27 May 2017	0.952	800	1,200
6 June 2017	0.86	360	910
15 October 2018	0.85	100	2,400
27 May 2019	0.952	7,234	12,900

### 11 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year after application of available tax losses brought forward for both years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

**APPENDIX II****FINANCIAL INFORMATION OF THE GROUP**

The amount of tax charged/(credited) to the consolidated income statement represents:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Current taxation		
Hong Kong profits tax		
– provision for the year	14,208	10,698
– (over)/under provision in prior years	(340)	10
Overseas tax		
– provision for the year	3	1,601
– over provision in prior years	(39)	–
Deferred taxation ( <i>note 25</i> )	<u>(1,589)</u>	<u>(1,553)</u>
	<u><u>12,243</u></u>	<u><u>10,756</u></u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Profit before taxation	<u>67,524</u>	<u>56,098</u>
Calculated at a taxation rate of 16.5%	11,142	9,256
Effect of different taxation rates		
in other tax jurisdictions	277	159
(Over)/under provision in prior years	(379)	10
Income not subject to taxation	(41)	(184)
Expenses not deductible for taxation purposes	1,542	366
(Utilisation of unrecognized tax losses)/		
Unrecognised tax losses	<u>(298)</u>	<u>1,149</u>
	<u><u>12,243</u></u>	<u><u>10,756</u></u>

## 12 Dividends

	2015 HK\$'000	2014 HK\$'000
(a) Dividends attributable to the current year:		
Interim dividend paid of 2.5 HK cents (2014: 3.0 HK cents)	10,688	12,392
Final dividend proposed of 2.5 HK cents (2014: 4.0 HK cents)	<u>10,692</u>	<u>16,636</u>
	<u>21,380</u>	<u>29,028</u>
(b) Dividends attributable to the previous year, approved and paid during the year:		
Final dividend of 4.0 HK cents (2014: 3.5 HK cents)	<u>16,844</u>	<u>14,420</u>

At a meeting held on 23 March 2016, the Company's board of directors resolved to recommend a final dividend of 2.5 HK cents for the year ended 31 December 2015. This proposed final dividend is not reflected as a dividend payable in these financial statements, until it has been approved by the shareholders at the forthcoming annual general meeting of the Company.

## 13 Earnings Per Share

- (a) Basic earnings per share is calculated by dividing the Group's profit attributable to the equity holders less dividends to convertible preference shareholders by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit attributable to equity holders (HK\$'000)	55,281	45,342
Less: dividends to convertible preference shareholders (HK\$'000)	<u>(4,000)</u>	<u>(5,600)</u>
Profit attributable to ordinary shareholders (HK\$'000)	<u>51,281</u>	<u>39,742</u>
Weighted-average ordinary shares issued ('000)	<u>343,163</u>	<u>332,952</u>
Basic earnings per share (HK cents)	<u>14.9</u>	<u>11.9</u>

- (b) Diluted earnings per share is calculated by dividing the Group's profit attributable to the equity holders by the weighted-average ordinary shares outstanding after adjusting for the potential dilutive effect in respect of outstanding employee share options and potential ordinary shares to be issued on convertible preference shares during the year.

	2015	2014
Profit attributable to equity holders (HK\$'000)	55,281	45,342
Weighted-average ordinary shares issued ( <i>'000</i> )	343,163	332,952
Adjustments for share options ( <i>'000</i> )	7,575	5,270
Adjustments for potential ordinary shares to be issued ( <i>'000</i> )	<u>80,000</u>	<u>80,000</u>
Weighted-average ordinary shares for calculating diluted earnings per share ( <i>'000</i> )	<u>430,738</u>	<u>418,222</u>
Diluted earnings per share (HK cents)	<u>12.8</u>	<u>10.8</u>

## 14 Property, Plant and Equipment

	Leasehold improvements <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2014	6,181	4,069	49,899	60,149
Exchange differences	(6)	(9)	(32)	(47)
Additions	672	280	3,001	3,953
Disposals	<u>(479)</u>	<u>(365)</u>	<u>(578)</u>	<u>(1,422)</u>
At 31 December 2014	6,368	3,975	52,290	62,633
Exchange differences	(17)	(59)	(216)	(292)
Additions	185	88	2,429	2,702
Disposals	–	(263)	(1,320)	(1,583)
Disposal of a subsidiary	<u>(186)</u>	<u>–</u>	<u>(759)</u>	<u>(945)</u>
At 31 December 2015	<u>6,350</u>	<u>3,741</u>	<u>52,424</u>	<u>62,515</u>
<b>Accumulated depreciation</b>				
At 1 January 2014	(5,444)	(2,545)	(41,155)	(49,144)
Exchange differences	8	6	18	32
Depreciation	(600)	(765)	(4,482)	(5,847)
Disposals	<u>475</u>	<u>179</u>	<u>563</u>	<u>1,217</u>
At 31 December 2014	(5,561)	(3,125)	(45,056)	(53,742)
Exchange differences	12	56	194	262
Depreciation	(297)	(568)	(3,560)	(4,425)
Disposals	–	244	1,105	1,349
Disposal of a subsidiary	<u>186</u>	<u>–</u>	<u>738</u>	<u>924</u>
At 31 December 2015	<u>(5,660)</u>	<u>(3,393)</u>	<u>(46,579)</u>	<u>(55,632)</u>
<b>Closing net book value</b>				
At 31 December 2015	<u>690</u>	<u>348</u>	<u>5,845</u>	<u>6,883</u>
At 31 December 2014	<u>807</u>	<u>850</u>	<u>7,234</u>	<u>8,891</u>

## 15 Investment Properties

	2015 HK\$'000	2014 HK\$'000
At 1 January (as previously report)	2,800	3,170
Unrealised gain arising from change in fair value	240	530
Disposal	—	(900)
At 31 December	<u>3,040</u>	<u>2,800</u>
Properties in Hong Kong held under medium-term lease (more than ten years but less than fifty years)	<u>3,040</u>	<u>2,800</u>

*Note:* The investment properties were valued as of year-end date on the basis of their open market value by an independent professional property valuer, Jones Lang LaSalle Limited.

**(a) Valuation processes of the Group**

The Group measures its investment properties at fair value. The fair value of the Group's investment properties at 31 December 2015 has been determined on the basis of valuations carried out by independent valuers not related to the Group. The Group engaged Jones Lang LaSalle Limited to value its investment properties. Discussion of valuation processes and results are held between the Group's senior management and valuers at least once every six months, in line with the Group's interim and annual reporting dates. At each reporting date the Group's senior management:

- verifies all major inputs to the independent valuation report;
- assess property valuations movement when compared to the prior period valuation report; and
- holds discussions with the independent valuers.

Change in Levels 2 and 3 fair values are also analysed at each reporting date during the bi-annual valuations discussions date between the Group's senior management.

**(b) Fair value hierarchy**

The following tables analyses the fair value of investment properties at different levels defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Quoted prices in active market for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
<b>Recurring fair value measurements</b>			
Investment properties	–	3,040	–

There were no transfers between Levels 1, 2 and 3 during the year.

*Fair value measurements using significant other observable inputs (Level 2)*

Fair value of the investment properties are derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of the properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

## 16 Intangible Assets and Goodwill

	Goodwill HK\$'000	Trademark HK\$'000	Backlog orders HK\$'000	Non- competition agreement HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2014 & 1 January 2015	168,968	48,826	15,934	2,393	67,153
Addition for the year	2,826	–	–	–	–
At 31 December 2015	171,794	48,826	15,934	2,393	67,153
<b>Accumulated amortisation</b>					
At 1 January 2014	–	(3,526)	(5,754)	(173)	(9,453)
Amortisation for the year	–	(3,255)	(5,311)	(160)	(8,726)
At 31 December 2014	–	(6,781)	(11,065)	(333)	(18,179)
Amortisation for the year	–	(3,255)	(4,869)	(159)	(8,283)
At 31 December 2015	–	(10,036)	(15,934)	(492)	(26,462)
<b>Net Book Value</b>					
At 31 December 2015	171,794	38,790	–	1,901	40,691
At 31 December 2014	168,968	42,045	4,869	2,060	48,974

Intangible assets arising from the acquisition of the Interiors and Special Projects business and Hsin Chong abp Company Limited in 2012 and 2015 respectively include goodwill, trademark, backlog orders and non-competition agreement.

In December 2015, the Group completed the acquisition of 70% equity interest of Hsin Chong abp Company Limited from its fellow subsidiary, Hsin Chong Construction (Asia) Limited; at a cash consideration of HK\$1 (note (a)).

Through the transaction of acquisition of Hsin Chong abp Company Limited, the management anticipated that the Group will take advantage of its resources and strengths to complement the Interiors and Special Projects business.

The acquisition related costs of the business combinations were not significant and had been charged to general and administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The revenue and the results contributed by these acquisitions of the Group for the period since the date of acquisitions were insignificant to the Group. The Group's revenue and results for the period would not be materially different if these acquisitions had occurred on 1 January 2015.

**(a) Assets acquired and liabilities recognised at the date of acquisition**

	<b>Total</b> <i>HK\$'000</i>
<b>Current assets</b>	
Contracting work in progress	3,729
Receivables	258
Cash and cash equivalents	<u>263</u>
<b>Total current assets</b>	<u><u>4,250</u></u>
<b>Current liabilities</b>	
Payables and accruals	2,335
Amount due to related companies	<u>5,952</u>
<b>Total current liabilities</b>	<u><u>8,287</u></u>
<b>Net current liabilities</b>	<u><u>4,037</u></u>

**(b) Non-controlling Interests**

The non-controlling interests (30% ownership interest) recognised at the acquisition date was measured with reference to the fair value of the non-controlling interests and amounted to HK\$1,211,000.

**(c) Goodwill Arising on Acquisition**

	<b>Total</b> <i>HK\$'000</i>
Consideration	–
Plus: non-controlling interests	1,211
Less: fair value of identifiable net assets acquired	<u>(4,037)</u>
<b>Goodwill arising on acquisition</b>	<u><u>2,826</u></u>

Goodwill is allocated to the Group's cash-generating units that are expected to benefit from the business combination. Annual assessment of any impairment of goodwill is based on the recoverable amount of the Interiors & Special Projects segment derived from cash flow projections based on approved management budget over a three-year period. Cash flows beyond the three-year period are extrapolated with zero growth rate. A discount rate of 14.7% was adopted to reflect specific risk relating to the segment. The key assumptions adopted are the discount rates, growth rates and projected operating profit, which were determined based on past performance and management's expectations for the market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions will not cause the carrying amount of goodwill to exceed the recoverable amount.

The trademark refers to the use of the "Hsin Chong" in Hong Kong. Other than the value included in the acquisition consideration, there is no on-going fee for utilizing the trademarks. Although there is no expiry date, management has adopted a 15 year useful life for amortisation purpose.

Backlog orders refers to the contractual sales that are outstanding at time of acquisition, totalling around HK\$300 million, from which there is a set of expected benefits to be received and accordingly management has adopted amortisation over 3 years.

Based on the non-competition agreement, management has adopted amortisation over 15 years.

#### 17 Contracting Work-in-Progress

	2015 HK\$'000	2014 HK\$'000
Gross amounts due from customers for contract work	<u>299,158</u>	<u>180,871</u>
Contract costs incurred plus attributable profits less foreseeable losses	1,526,845	1,235,523
Less: progress payments received and receivable	<u>(1,250,872)</u>	<u>(1,056,217)</u>
Contracting work-in-progress	<u>275,973</u>	<u>179,306</u>
Representing by:		
Gross amounts due from customers for contract work included in stocks and contracting work-in-progress	299,158	180,871
Gross amounts due to customers for contract work included in payables and accruals	<u>(23,185)</u>	<u>(1,565)</u>
	<u>275,973</u>	<u>179,306</u>

**18 Receivables, Deposits and Prepayments**

As of 31 December 2015, accounts receivable of HK\$76,221,000 (2014: HK\$75,104,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The credit period of the Group's accounts receivable generally ranges from 30 to 60 days (2014: 30 to 60 days). The ageing analysis of accounts receivable by due date is as follows:

	2015 HK\$'000	2014 HK\$'000
<b>Accounts receivable</b>		
Not yet due	239,032	150,959
1 to 30 days	28,894	31,942
31 to 60 days	28,939	10,985
61 to 90 days	5,761	11,249
Over 90 days	<u>12,627</u>	<u>20,928</u>
	315,253	226,063
<b>Retention receivables</b>	122,303	69,030
<b>Other receivables</b>	<u>33,321</u>	<u>30,996</u>
<b>Receivables</b>	470,877	326,089
<b>Deposits and prepayments</b>	<u>35,545</u>	<u>56,136</u>
	<u><u>506,422</u></u>	<u><u>382,225</u></u>

At 31 December 2015, retention receivables amounted to approximately HK\$121,121,000 (2014: HK\$67,853,000) were held by customers for construction work.

The majority of the Group's accounts receivable are denominated in Hong Kong dollars. There were no accounts receivables impaired as of 31 December 2015 (2014: Nil). The maximum exposure to credit risk at the reporting date is the carrying value of the accounts receivable mentioned above. The company does not hold any collateral as security.

**19 Balances with Fellow Subsidiaries, Ultimate Holding Company and Non-controlling Interests**

Balances with fellow subsidiaries, ultimate holding company and non-controlling interests are unsecured, interest free, repayable on demand with no fixed terms of repayment and mainly denominated in Hong Kong dollars.

Balances included receivables in trade nature amounted to HK\$678,000 (2014: HK\$6,686,000) and HK\$50,505,000 (2014: HK\$45,527,000) due from ultimate holding company and fellow subsidiaries respectively, which are not yet due and fully performing.

**20 Deposit, Cash and Cash Equivalents**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	128,190	90,508
Term deposits with original maturities less than 3 months	<u>1,651</u>	<u>687</u>
	<u><u>129,841</u></u>	<u><u>91,195</u></u>

The majority of the Group's deposit, cash and cash equivalents is denominated in Hong Kong dollars.

**21 Payables and Accruals**

The credit period of the Group's accounts payable generally ranges from 30 to 60 days (2014: 30 to 60 days). The ageing analysis of accounts payable by due date is as follows:

	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Accounts payable</b>		
Not yet due	372,109	238,348
1 to 30 days	43,250	19,512
31 to 60 days	9,684	6,549
61 to 90 days	2,545	8,074
Over 90 days	<u>11,998</u>	<u>14,536</u>
	439,586	287,019
<b>Retention payables, other payables and accruals</b>	<u>191,210</u>	<u>144,744</u>
	<u><u>630,796</u></u>	<u><u>431,763</u></u>

**22 Share Capital**

	Number of shares '000	Amount HK\$'000
<i>Issued and fully paid:</i>		
Ordinary shares		
At 1 January 2015	335,890	33,589
Share issued upon exercise of options granted under the Share Option Scheme	<u>11,786</u>	<u>1,179</u>
At 31 December 2015	<u><u>347,676</u></u>	<u><u>34,768</u></u>
Convertible preference shares		
At 1 January 2015	<u>80,000</u>	<u>8,000</u>
At 31 December 2015	<u><u>80,000</u></u>	<u><u>8,000</u></u>
<i>Ordinary shares and convertible preference shares issued and fully paid</i>		
At 31 December 2015	<u><u>427,676</u></u>	<u><u>42,768</u></u>
At 31 December 2014	<u><u>415,890</u></u>	<u><u>41,589</u></u>

**23 Capital and Reserves**

Details of movement in the reserves of the Group are set out on page 91.

**24 Long Service Payment Liabilities**

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

The liability recognised in the balance sheet is present value of unfunded obligation and its movements are as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>At 1 January</b>	1,940	1,642
Net charge to the income statement		
Current service cost	110	134
Interest cost	16	13
	126	147
Net credit to other comprehensive income		
Remeasurements:		
Actuarial loss arising from:		
Liability experience	2,091	1,572
Financial assumptions	359	(48)
	2,450	1,524
Other		
Benefits paid	(539)	(1,373)
<b>At 31 December</b>	<b>3,977</b>	<b>1,940</b>

The principal actuarial assumptions used for accounting purposes are as follows:

	<b>2015</b> %	<b>2014</b> %
Discount rate	0.7	0.9
Long-term salary increase rate	4.0	3.5
Long term average expected return on mandatory provident fund scheme assets	4.0	4.5

The sensitivity of the defined benefit obligation to changes in the significant principal assumptions are as follows.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 0.7%	Increase by 0.7%
Long-term salary increase rate	0.25%	Increase by 2.4%	Decrease by 2.4%
Long-term average expected return on mandatory provident fund scheme assets	0.25%	Decrease by 1.9%	Increase by 1.9%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

The weighted average duration of the defined benefit obligation is 2.7 years as at 31 December 2015.

## 25 Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted as at the balance sheet date. The movement on the net deferred tax liabilities account is as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Beginning of the year	8,715	10,268
Deferred taxation recognised in consolidated income statement ( <i>note 11</i> )	(1,589)	(1,553)
Disposal of a subsidiary ( <i>note 27</i> )	15	—
End of the year	<u>7,141</u>	<u>8,715</u>

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

The movement on the deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Group			Deferred tax assets	
	Deferred tax liabilities			Accounting	
	Accelerated tax depreciation HK\$'000	Intangible assets HK\$'000	Total HK\$'000	tax depreciation HK\$'000	Total HK\$'000
At 1 January 2014	1,129	9,520	10,649	(381)	(381)
Credited to consolidated income statement	(351)	(1,439)	(1,790)	-	-
Charged to consolidated income statement	-	-	-	237	237
At 31 December 2014	778	8,081	8,859	(144)	(144)
Credited to consolidated income statement	(260)	(1,367)	(1,627)	-	-
Charged to consolidated income statement	-	-	-	53	53
At 31 December 2015	518	6,714	7,232	(91)	(91)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK\$52,877,000 (2014: HK\$56,997,000) to carry forward against future taxable income. Tax losses amounting to HK\$32,802,000 will expire at various dates up to and including 2020 (2014: HK\$38,035,000 (up to and including 2019)). The remaining tax losses do not have expiry dates.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	(91)	(144)
Deferred tax liabilities	<u>7,232</u>	<u>8,859</u>
	<u>7,141</u>	<u>8,715</u>

## 26 Bank Loans

	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Portion due for repayment within one year	209,536	139,000
Portion due for repayment after one year, which contains a clause of repayment on demand		
(i) in the second year	84,000	24,000
(ii) in the third to fifth years, inclusive	<u>—</u>	<u>84,000</u>
Total bank loans	<u>293,536</u>	<u>247,000</u>

### Notes:

- (a) As at 31 December 2015, the Group had bank loans of HK\$244,992,000 (2014: HK\$247,000,000) and HK\$48,544,000 (2014: Nil) denominated in Hong Kong dollars and Macau Pataca respectively.
- (b) The bank loans of the Group carried weighted average interest rates of 2.7% (2014: 2.9%) per annum.
- (c) The Group's bank loan of HK\$108,000,000 (2014: HK\$132,000,000) is subject to a floating charge over the assets of its subsidiaries.
- (d) The carrying amounts of loans approximate their fair values.

**27 Loss on Disposal of a Subsidiary**

Optimum Engineering Limited, a wholly owned subsidiary of the Group, was disposed in December 2015 at a cash consideration of HK\$1,770,000.

	<b>Total</b> <i>HK\$'000</i>
<b>Net asset disposed</b>	
<b>Non-current assets</b>	
Property, plant and equipment	21
Deferred tax assets	<u>15</u>
 Total non-current assets	 <u>36</u>
 <b>Current assets</b>	
Contracting work in progress	8,261
Receivables	18,549
Deposits and prepayments	750
Cash and cash equivalents	<u>827</u>
 Total current assets	 <u>28,387</u>
 <b>Current liabilities</b>	
Payables and accruals	24,004
Taxation payable	<u>392</u>
 Total current liabilities	 <u>24,396</u>
 <b>Net current assets</b>	 <u>3,991</u>
 <b>Total assets less current liability</b>	 <u>4,027</u>
 <b>Consideration</b>	 1,770
Less: fair value of identifiable net assets disposed	<u>(4,027)</u>
 <b>Loss on disposal of a subsidiary</b>	 <u>2,257</u>
 <b>Net cash inflow arising on disposal</b>	
Cash received	1,770
Cash and cash equivalents disposed of	<u>(827)</u>
 <b>Net cashflow in respect of the disposal of a subsidiary</b>	 <u>943</u>

**28 Operating Lease Commitments**

The future aggregate minimum lease rental expenses under non-cancellable operating leases payable are as follows:

	Land and buildings		Office equipment	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	10,686	10,442	524	392
In the second to fifth years inclusive	<u>4,280</u>	<u>3,543</u>	<u>664</u>	<u>960</u>
	<u>14,966</u>	<u>13,985</u>	<u>1,188</u>	<u>1,352</u>

**29 Notes to Statement of Cash Flows**

Reconciliation of operating profit to cash generated from operations

	Note	2015 HK\$'000	2014 HK\$'000
Profit before taxation		67,524	56,098
Share option expenses		958	1,728
Depreciation		4,425	5,847
Amortisation of intangible assets		8,283	8,726
Net finance cost		6,906	7,250
Fair value gains		(240)	(530)
Loss/(gain) on disposal of property, plant and equipment		134	(49)
Loss on disposal of a subsidiary	27	2,257	–
Gain on disposal of an investment property		<u>–</u>	<u>(400)</u>
Operating profit before working capital changes		90,247	78,670
(Increase)/decrease in contracting work-in-progress		(122,819)	58,577
Increase in receivables		(163,656)	(381)
Decrease/(increase) in deposits and prepayments		19,841	(36,880)
Decrease in amounts due to other partner of joint operations		(138)	(42)
Change in net balances with related companies		(16,638)	(65,100)
Change in net balance with non-controlling interests		1,148	–
Increase in payables and accruals and long service payment liabilities		220,188	48,206
Exchange translation		<u>–</u>	<u>35</u>
Cash generated from operations		<u>28,173</u>	<u>83,085</u>

## 30 Related Party Transactions

*(a) Key management personnel compensation*

For the year ended 31 December 2015, the key management personnel compensation was approximately HK\$18,427,000 (2014: HK\$19,834,000).

*(b) Significant related party transactions*

Summary of the significant related party transactions carried out by the Group is as follows:

	<i>Note</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Service charges paid to			
– ultimate holding company	<i>(i)</i>	(7,254)	(8,896)
– fellow subsidiaries	<i>(i)</i>	(11,418)	(22,151)
Facility management income from a fellow subsidiary	<i>(ii)</i>	–	396
Rental expenses paid to			
– ultimate holding company	<i>(iii)</i>	(936)	(654)
– fellow subsidiaries	<i>(iii)</i>	(4,760)	(4,771)
Services income from			
– ultimate holding company	<i>(iv)</i>	3,728	3,381
– fellow subsidiaries	<i>(iv)</i>	15,984	14,854
Contracting work's income from			
– ultimate holding company	<i>(v)</i>	–	6,109
– fellow subsidiaries	<i>(v)</i>	248,653	292,044

*Notes:*

- (i) Service charges paid in respect of administrative services provided by ultimate holding company and fellow subsidiaries to the Group which were reimbursed at cost based on time and expenses allocated to the Group.
- (ii) Facility management income earned for services rendered to a fellow subsidiary are charged, which was mutually agreed by both parties.
- (iii) Rental expenses paid to ultimate holding company and fellow subsidiaries based on actual usage and market rent.
- (iv) Services income earned on services including leasing services, consultancy fee, security, repair and maintenance, laundry, cleaning, etc. rendered, which were mutually agreed by both parties.
- (v) Contracting work's income earned from ultimate holding company and fellow subsidiaries, which was mutually agreed by both parties.

## 31 Balance Sheet and Reserve of the Company

*Balance Sheet of the Company**As at 31 December 2015*

	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>		
Subsidiaries	<u>85,179</u>	<u>87,512</u>
<b>Total non-current assets</b>	<u>85,179</u>	<u>87,512</u>
<b>Current assets</b>		
Deposits and prepayments	299	299
Amounts due from subsidiaries	264,911	282,112
Deposit, cash and cash equivalents	<u>208</u>	<u>261</u>
<b>Total current assets</b>	<u>265,418</u>	<u>282,672</u>
<b>Current liabilities</b>		
Payables and accruals	2,600	2,828
Bank loans	<u>108,000</u>	<u>132,000</u>
<b>Total current liabilities</b>	<u>110,600</u>	<u>134,828</u>
<b>Net current assets</b>	<u>154,818</u>	<u>147,844</u>
<b>Total assets less current liabilities</b>	<u>239,997</u>	<u>235,356</u>
<b>Net assets</b>	<u>239,997</u>	<u>235,356</u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	42,768	41,589
Retained profits and other reserves	186,537	177,131
Proposed dividends	<u>10,692</u>	<u>16,636</u>
<b>Total equity</b>	<u>239,997</u>	<u>235,356</u>

The balance sheet of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf.

**Joseph Choi Kin Hung**  
Chairman

**Lui Chun Pong**  
Director

*Reserve of the Company*

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Employee share option reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 January 2014	41,200	95,401	82,601	3,997	11,575	234,774
Profit attributable to equity holders of the Company	-	-	-	-	24,953	24,953
2013 final dividend paid ( <i>note 12</i> )	-	-	-	-	(14,420)	(14,420)
2014 interim dividend paid ( <i>note 12</i> )	-	-	-	-	(12,392)	(12,392)
Share option scheme	-	-	-	(900)	-	(900)
Issue of shares upon exercise of share options	389	2,952	-	-	-	3,341
At 31 December 2014	41,589	98,353	82,601	3,097	9,716	235,356
Profit attributable to equity holders of the Company	-	-	-	-	24,303	24,303
2014 final dividend paid ( <i>note 12</i> )	-	-	-	-	(16,844)	(16,844)
2015 interim dividend paid ( <i>note 12</i> )	-	-	-	-	(10,688)	(10,688)
Share option scheme	-	-	-	(2,333)	-	(2,333)
Issue of shares upon exercise of share options	1,179	9,024	-	-	-	10,203
At 31 December 2015	42,768	107,377	82,601	764	6,487	239,997

*Note:*

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued for the acquisition of these subsidiaries at the time of the Group's reorganisation in 2003. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus.

**32 Holding Companies**

The directors regarded Hsin Chong Group Holdings Limited (formerly known as Hsin Chong Construction Group Ltd.), a company incorporated in Bermuda, as its ultimate holding company and Smart Lane Holdings Limited, a company incorporated in the British Virgin Islands, as the immediate holding company.

## 33 Principal Subsidiaries

Name	Place of incorporation and operation	Principal activities	Issued and paid up/ registered capital	Effective percentage of interest held	
				2015	2014
<i>Interest held directly:</i>					
Synergis Holdings (BVI) Limited	British Virgin Islands <sup>1</sup>	Investment holding	100,000 ordinary shares of HK\$0.1 each	100%	100%
<i>Interest held indirectly:</i>					
Synergis Management Services Limited	Hong Kong	Provision of property management services and investment holding	206,837 ordinary shares of HK\$1 each	100%	100%
Synergis Facility Management Limited	Hong Kong	Provision of facility management services	2 ordinary shares of HK\$1 each	100%	100%
Service Pro Limited	Hong Kong	Provision of property services	2 ordinary shares of HK\$1 each	100%	100%
SecurExpert Solutions Limited	Hong Kong	Provision of security and consultancy services	2 ordinary shares of HK\$1 each	100%	100%
Laundrimate Service Limited	Hong Kong	Provision of laundry services	2 ordinary shares of HK\$1 each	100%	100%
Master Clean Service Limited	Hong Kong	Provision of cleaning services	200,000 ordinary shares of HK\$1 each	100%	100%
S-Club Limited	Hong Kong	Sales of products, provision of copying services and property holding	1 ordinary share of HK\$1	100%	100%
Hsin Chong Interiors (Hong Kong) Limited	Hong Kong	Provision of fitting-out, renovation and addition and alteration works	5,000,000 ordinary share of HK\$1 each	100%	100%
Hsin Chong Construction (Engineering) Limited	Hong Kong	Provision of demolition work, addition and alteration works and special construction projects	22,000,000 ordinary share of HK\$1 each	100%	100%

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

Name	Place of incorporation and operation	Principal activities	Issued and paid up/ registered capital	Effective percentage of interest held	
				2015	2014
Everich Construction (Macau) Limited	Macau	Provision of renovation and fitting-out works	MOP\$25,000	100%	100%
Hsin Chong abp Company Limited	Hong Kong	Provision of curtain walling, cladding & related products	100,000 ordinary share of HK\$1	70%	–
Synergis Property Management (Shenzhen) Co., Ltd. <sup>2</sup>	PRC (wholly owned foreign enterprise)	Provision of property management, repair and maintenance of sophisticated equipment and indoor cleaning services, and property management consultancy services	RMB31,000,000	100%	100%
Synergis Property Services (Beijing) Co. Ltd. <sup>2</sup>	PRC (wholly owned foreign enterprise)	Provision of property and facility management services, property agent and property consultancy services	RMB32,000,000	100%	100%

<sup>1</sup> This is an investment holding company with no specific place of operation.

<sup>2</sup> These are not registered company names but merely for identification purposes only.

### 34 Joint Operations

Name	Place of operation	Principal activities	Participating shares	
			2015	2014
Hsin Chong-Wah Cheong Joint Venture (01)	Hong Kong	Construction	50%	50%
Hsin Chong-Wah Cheong Joint Venture (02)	Hong Kong	Construction	50%	50%

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**FIVE-YEAR FINANCIAL SUMMARY**

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Operating Results</b>					
Revenue	<u>2,447,379</u>	<u>1,906,253</u>	<u>1,680,076</u>	<u>908,460</u>	<u>678,810</u>
Profit before taxation	67,524	56,098	45,804	25,994	20,886
Taxation	<u>(12,243)</u>	<u>(10,756)</u>	<u>(11,413)</u>	<u>(7,332)</u>	<u>(4,909)</u>
Profit for the year	55,281	45,342	34,391	18,662	15,977
Non-controlling interests	<u>-</u>	<u>-</u>	<u>1</u>	<u>27</u>	<u>24</u>
Profit attributable to equity holders of the Company	<u>55,281</u>	<u>45,342</u>	<u>34,392</u>	<u>18,689</u>	<u>16,001</u>
<b>Assets and Liabilities</b>					
<b>Assets</b>					
Property, plant and equipment	6,883	8,891	11,005	13,738	14,630
Investment properties	3,040	2,800	3,170	3,090	2,680
Intangible assets	40,691	48,974	57,700	66,426	-
Goodwill	171,794	168,968	168,968	168,968	-
Deferred tax assets	91	144	381	174	192
Current assets	<u>1,007,076</u>	<u>720,337</u>	<u>666,034</u>	<u>528,568</u>	<u>210,633</u>
Total assets	<u>1,229,575</u>	<u>950,114</u>	<u>907,258</u>	<u>780,964</u>	<u>228,135</u>
<b>Liabilities</b>					
Current liabilities	938,974	693,361	670,768	561,838	99,520
Deferred tax liabilities	7,232	8,859	10,649	12,214	1,232
Long service payment liabilities	<u>3,977</u>	<u>1,940</u>	<u>1,642</u>	<u>2,081</u>	<u>1,803</u>
Total liabilities	<u>950,183</u>	<u>704,160</u>	<u>683,059</u>	<u>576,133</u>	<u>102,555</u>
Non-controlling interests	<u>(1,211)</u>	<u>-</u>	<u>225</u>	<u>226</u>	<u>253</u>
Equity attributable to equity holders of the Company	<u>280,603</u>	<u>245,954</u>	<u>223,974</u>	<u>204,605</u>	<u>125,327</u>

## MAJOR PROJECTS

## Major Projects In-Progress

Description	Group's Interest	Commencement Date	Anticipated Completion Date	Client/Ultimate Employer
<b>INTERIORS AND SPECIAL PROJECTS</b>				
URA Project SYP/1/001 at Third Street/Yu Lok Lane/Centre Street at Sai Ying Pun, Hong Kong <sup>#</sup>	100%	October 2012	February 2016	Maxjet Company Limited
Proposed Commercial Development at Nos. 34 Wong Chuk Hang Road, Aberdeen, Hong Kong Main Contract Works	100%	April 2014	February 2016	Best City Enterprise Limited
Proposed Commercial Development at Nos. 2 – 22 Tang Lung Street, Hong Kong Main Contract	100%	April 2014	March 2016	Choice Glory Limited
Main Contract for Major Renovation Works at Butterfly Plaza	100%	November 2014	July 2016	Link Asset Management Limited
Main Contract for Podium Renovation at Lee Gardens One, Causeway Bay, Hong Kong	100%	September 2013	May 2016	Perfect Win Properties Limited
Main Contract for Proposed Residential Development at No.28-32 Aberdeen Street, Central, Hong Kong	100%	November 2015	April 2017	Joint Rise International (HK) Limited
Main Contract for Residential Development at Discovery Bay North Phase 16	100%	January 2016	May 2017	Hong Kong Resort Company Limited
Main Contract for Fortune Phamacal New Factory Development, 50-68 Wang Lok Street, Yuen Long Industrial Estate, Yuen Long	100%	December 2015	November 2017	Fortune Phamacal Co. Ltd.
Fitting-out works for M+ Museum Project at West Kowloon Cultural District, Hong Kong <sup>#</sup>	100%	December 2015	February 2019	West Kowloon Cultural District Authority
Main Contract Works and MVAC Installation Works for Renovation of CDW Building at Castle Peak Road & Mei Wan Street, Tsuen Wan	100%	March 2015	December 2016	CDW Building Limited

<sup>#</sup> Sub-contract value being awarded by group companies or joint venture

## Properties held for investment at 31 December 2015

Description	Use	Status	Lease Term	Percentage of Group's Interest
Car Park Nos. P250, P251, P252, P253, P254, P255, P256 and P257, Sun Hing Garden, No.2 On Po Lane, Tai Po, New Territories. 24/64,299th shares of and in Tai Po Town Lot No. 26	Carpark	Rental	Medium	100%

**B. Unaudited Condensed Consolidated Financial Statements**

The following is the full text of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 extracted from the interim report of the Company for the six months ended 30 June 2016:

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**

*For the six months ended 30 June 2016*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,180,024	1,129,201
Cost of sales		<u>(1,097,437)</u>	<u>(1,047,937)</u>
Gross profit		82,587	81,264
Other income		2,043	3,353
General and administrative expenses		(56,109)	(53,127)
Amortisation of intangible assets		(1,707)	(4,363)
Interest expenses	4	<u>(3,049)</u>	<u>(3,680)</u>
Profit before taxation	5	23,765	23,447
Taxation	6	<u>(4,600)</u>	<u>(4,342)</u>
Profit for the period		<u>19,165</u>	<u>19,105</u>
Profit attributable to:			
Equity holders of the Company		19,342	19,105
Non-controlling interests		<u>(177)</u>	<u>–</u>
		<u>19,165</u>	<u>19,105</u>
Earnings per share for profit attributable to the equity holders of the Company			
– basic	7	<u>5.2 cents</u>	<u>5.0 cents</u>
– diluted	7	<u>4.5 cents</u>	<u>4.4 cents</u>
Dividends	8	<u>6,419</u>	<u>10,688</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	<u>19,165</u>	<u>19,105</u>
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translating foreign operations	<u>(603)</u>	<u>(24)</u>
Total comprehensive income for the period	<u><u>18,562</u></u>	<u><u>19,081</u></u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**
**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**
*As at 30 June 2016*

		Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment		13,989	6,883
Investment properties		3,040	3,040
Intangible assets	9	38,984	40,691
Goodwill	9	171,794	171,794
Deferred tax assets		90	91
		<u>          </u>	<u>          </u>
<b>Total non-current assets</b>		227,897	222,499
		-----	-----
<b>Current assets</b>			
Contracting work-in-progress		372,268	299,158
Receivables	10	382,996	470,877
Deposits and prepayments	10	21,323	35,545
Amount due from ultimate holding company	11	7,855	12,939
Amounts due from fellow subsidiaries	11	62,902	58,633
Taxation recoverable		29	83
Deposit, cash and cash equivalents		111,584	129,841
		<u>          </u>	<u>          </u>
<b>Total current assets</b>		958,957	1,007,076
		-----	-----
<b>Current liabilities</b>			
Payables and accruals	13	671,080	630,796
Bank loans	12	198,720	293,536
Amount due to non-controlling interests	11	25	1,148
Amount due to other partner of joint operations		21	6
Amounts due to fellow subsidiaries	11	601	588
Taxation payable		17,666	12,900
		<u>          </u>	<u>          </u>
<b>Total current liabilities</b>		888,113	938,974
		-----	-----
<b>Net current assets</b>		70,844	68,102
		<u>          </u>	<u>          </u>
<b>Total assets less current liabilities</b>		298,741	290,601
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**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

		<b>Unaudited 30 June 2016 HK\$'000</b>	<b>Audited 31 December 2015 HK\$'000</b>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Long service payment liabilities		3,977	3,977
Deferred tax liabilities		<u>7,011</u>	<u>7,232</u>
<b>Total non-current liabilities</b>		<u>10,988</u>	<u>11,209</u>
<b>Net assets</b>		<u>287,753</u>	<u>279,392</u>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	42,796	42,768
Retained profits and other reserves		238,500	227,143
Proposed interim/final dividends		<u>6,419</u>	<u>10,692</u>
		287,715	280,603
<b>Non-controlling interests</b>		<u>38</u>	<u>(1,211)</u>
<b>Total equity</b>		<u>287,753</u>	<u>279,392</u>

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2016 (audited)	42,768	110,935	1,513	764	(486)	125,109	280,603	(1,211)	279,392
Profit for the period	-	-	-	-	-	19,342	19,342	(177)	19,165
Other comprehensive loss	-	-	-	-	(603)	-	(603)	-	(603)
Total comprehensive (loss)/income	-	-	-	-	(603)	19,342	18,739	(177)	18,562
2015 final dividend	-	-	-	-	-	(10,692)	(10,692)	-	(10,692)
Further acquisition of a subsidiary	-	-	-	-	-	(1,203)	(1,203)	1,385	182
Share option scheme	-	-	-	22	-	(18)	4	-	4
Issue of shares upon exercise of share options	28	311	-	(75)	-	-	264	-	264
Increase in non-controlling interest due to incorporation of a subsidiary	-	-	-	-	-	-	-	41	41
At 30 June 2016 (unaudited)	42,796	111,246	1,513	711	(1,089)	132,538	287,715	38	287,753

For the six months ended 30 June 2015

	Attributable to equity holders of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Employee share option reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2015 (audited)	41,589	99,222	1,513	3,097	1,325	99,208	245,954	-	245,954
Profit for the period	-	-	-	-	-	19,105	19,105	-	19,105
Other comprehensive loss	-	-	-	-	(24)	-	(24)	-	(24)
Total comprehensive (loss)/income	-	-	-	-	(24)	19,105	19,081	-	19,081
2014 final dividend	-	-	-	-	-	(16,844)	(16,844)	-	(16,844)
Share option scheme	-	-	-	484	-	-	484	-	484
Transfer upon share options lapsing	-	-	-	(241)	-	241	-	-	-
Issue of shares upon exercise of share option	1,161	11,520	-	(2,642)	-	-	10,039	-	10,039
At 30 June 2015 (unaudited)	42,750	110,742	1,513	698	1,301	101,710	258,714	-	258,714

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2016*

	Unaudited	
	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Cash generated from operations	99,917	3,624
Income taxes paid	—	(164)
<b>Net cash generated from operating activities</b>	99,917	3,460
<b>Investing activities</b>		
Purchase of property, plant and equipment	(9,519)	(1,224)
Proceeds from disposal of property, plant and equipment	8	93
Interest received	58	30
Interest paid	(3,118)	(3,567)
Time deposits over three months	(659)	(692)
<b>Net cash used in investing activities</b>	(13,230)	(5,360)
<b>Financing activities</b>		
Issue of shares upon exercise of share options	264	10,039
Repayment of bank loans	(420,214)	(158,824)
Drawdown of bank loans	325,398	227,795
Dividends paid	(10,692)	(16,844)
<b>Net cash (used in)/generated from financing activities</b>	(105,244)	62,166
<b>Net (decrease)/increase in deposit, cash and cash equivalents</b>	(18,557)	60,266
Deposit, cash and cash equivalents at the beginning of the period	129,841	91,195
Exchange (loss)/gain on deposit, cash and cash equivalents	(359)	7
<b>Deposit, cash and cash equivalents at the end of the period</b>	110,925	151,468
<b>Analysis of balances of deposit, cash and cash equivalents:</b>		
Bank balances and cash – unrestricted	111,584	152,160
Less: Time deposit over three months	(659)	(692)
<b>Deposit, cash and cash equivalents at the end of the period</b>	110,925	151,468

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company on 4 August 2003. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares were initially listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 October 2003.

The principal business of the Company and its subsidiaries (together the "Group") are principally engaged in the provision of property management and facility management services, ISP business and ancillary business in Hong Kong, Mainland China and Macau.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated, and were approved for issue by the Board on 17 August 2016.

### 2 Basis of Preparation

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") and amendments mandatory for the first time for the financial year beginning 1 January 2016:

HKAS 1 Amendment	Disclosure Initiative
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKAS 16 Amendment and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual improvements Projects	Annual improvements to HKFRSs 2012-2014 cycle

The adoption of these revised HKFRS and amendments that are relevant to the Group's operations and mandatory for the annual period beginning 1 January 2016 has had no material impact on the Group's results and financial position of the Group.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management department since year end or in any risk management policies since the year end.

### 3 Segment Information

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, identified as the executive committee, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are:

- property and facility management services in Hong Kong;
- property and facility management services in Mainland China;
- ancillary business including security, cleaning, laundry, etc.; and
- interiors and special projects

#### (a) Segment Result (in HK\$'000)

	PFM		Ancillary Business	PFM			Total
	Hong Kong	Mainland China		Business	ISP Business	Corporate (Note 1)	
<b>Unaudited six months ended</b>							
<b>30 June 2016</b>							
Revenue	284,765	32,744	48,537	366,046	813,978	-	1,180,024
Gross profit	30,356	6,843	8,558	45,757	36,830	-	82,587
Operating expenses	(16,456)	(5,972)	(6,540)	(28,968)	(19,488)	(6,048)	(54,504)
Operating profit	13,900	871	2,018	16,789	17,342	(6,048)	28,083
Amortisation of intangible assets				-	-	(1,707)	(1,707)
Acquisition loan interest expenses				-	-	(1,913)	(1,913)
Interest expenses				(255)	(881)	-	(1,136)
Other expenses				(900)	(700)	(5)	(1,605)
Other income				1,770	273	-	2,043
Profit before taxation				17,404	16,034	(9,673)	23,765
Taxation				(2,151)	(2,449)	-	(4,600)
Profit for the period				15,253	13,585	(9,673)	19,165

## APPENDIX II

## FINANCIAL INFORMATION OF THE GROUP

	PFM		Ancillary Business	PFM			Total
	Hong Kong	Mainland China		Business	ISP Business	Corporate (Note 1)	
<b>Unaudited six months ended</b>							
<b>30 June 2015</b>							
Revenue	292,193	42,352	40,200	374,745	754,456	–	1,129,201
Gross profit	30,316	7,681	8,233	46,230	35,034	–	81,264
Operating expenses	(13,659)	(8,584)	(5,667)	(27,910)	(13,833)	(11,268)	(53,011)
Operating profit	16,657	(903)	2,566	18,320	21,201	(11,268)	28,253
Amortisation of intangible assets				–	–	(4,363)	(4,363)
Acquisition loan interest expenses				–	–	(2,350)	(2,350)
Interest expenses				(198)	(1,132)	–	(1,330)
Other expenses				250	117	(483)	(116)
Other income				1,471	1,882	–	3,353
Profit before taxation				19,843	22,068	(18,464)	23,447
Taxation				(1,043)	(3,299)	–	(4,342)
Profit for the period				18,800	18,769	(18,464)	19,105

*Note 1:* Corporate mainly represents corporate and administrative activities, and shared services.

### (b) Customers Information

For the six months ended 30 June 2016, revenue of approximately HK\$163,838,000 (for the six months ended 30 June 2015: HK\$138,906,000) was derived from one single external customer which was attributable to the ISP business.

## 4 Interest Expenses

The entire amount was attributable to the bank loans (2015: The entire amount was attributable to the bank loans).

**5 Profit Before Taxation**

**Unaudited**  
**Six months ended 30 June**  
**2016**                      **2015**  
*HK\$'000*                      *HK\$'000*

Profit before taxation is arrived after charging:

Staff costs, including directors' emoluments	372,369	351,649
Depreciation	2,389	2,304
Operating lease rental on land, buildings and office equipments	6,509	6,185

**6 Taxation**

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period after application of available tax losses brought forward for both periods. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of tax charged/(credited) to the consolidated income statement represents:

**Unaudited**  
**Six months ended 30 June**  
**2016**                      **2015**  
*HK\$'000*                      *HK\$'000*

Current taxation		
Hong Kong profits tax		
– provision for the period	4,805	4,721
Overseas tax		
– provision for the period	15	453
Deferred taxation	(220)	(832)
	<u>4,600</u>	<u>4,342</u>

## 7 Earnings Per Share

- (a) Basic earnings per share is calculated by dividing the Group's unaudited profit attributable to equity holders less dividend to convertible preference shareholders by the weighted-average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2016	2015
Profit attributable to equity holders (HK\$'000)	19,342	19,105
Less: dividend to convertible preference shareholders (HK\$'000)	<u>(1,200)</u>	<u>(2,000)</u>
Profit attributable to ordinary shareholders (HK\$'000)	<u>18,142</u>	<u>17,105</u>
Weighted-average ordinary shares issued ('000)	347,697	338,790
Basic earnings per share (HK cents)	<u>5.2</u>	<u>5.0</u>

- (b) Diluted earnings per share is calculated by dividing the Group's unaudited profit attributable to equity holders by the weighted-average ordinary shares outstanding after adjusting for the potential dilutive effect in respect of outstanding employee share options and potential ordinary shares to be issued on convertible preference shares during the period.

	Unaudited Six months ended 30 June	
	2016	2015
Profit attributable to equity holders (HK\$'000)	19,342	19,105
Weighted-average ordinary shares issued ('000)	347,697	338,790
Adjustments for share options ('000)	1,883	10,967
Adjustments for potential ordinary shares to be issued ('000)	<u>80,000</u>	<u>80,000</u>
Weighted-average ordinary shares for calculating diluted earnings per share ('000)	<u>429,580</u>	<u>429,757</u>
Diluted earnings per share (HK cents)	<u>4.5</u>	<u>4.4</u>

## 8 Dividends

At a meeting held on 17 August 2016, the Company's Board of directors declared the payment of an interim dividend of 1.5 HK cents per ordinary share (30 June 2015: 2.5 HK cents). This interim dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2016.

## 9 Intangible Assets and Goodwill

	Goodwill HK\$'000	Trademark HK\$'000	Backlog orders HK\$'000	Non- competition agreement HK\$'000	Total HK\$'000
<b>Cost</b>					
At 1 January 2015	168,968	48,826	15,934	2,393	67,153
Addition for the year	2,826	–	–	–	–
As 1 January 2016 and 30 June 2016	171,794	48,826	15,934	2,393	67,153
<b>Accumulated amortisation</b>					
At 1 January 2015	–	(6,781)	(11,065)	(333)	(18,179)
Amortisation for the year	–	(3,255)	(4,869)	(159)	(8,283)
At 31 December 2015	–	(10,036)	(15,934)	(492)	(26,462)
Amortisation for the period	–	(1,628)	–	(79)	(1,707)
As 30 June 2016	–	(11,664)	(15,934)	(571)	(28,169)
<b>Net Book Value</b>					
At 30 June 2016	171,794	37,162	–	1,822	38,984
At 31 December 2015	171,794	38,790	–	1,901	40,691

Intangible assets arising from the acquisition of the Interior and Special Projects business and Hsin Chong abp Company Limited in 2012 and 2015 respectively include goodwill, trademark, backlog orders and non-competition agreement.

**10 Receivables, Deposits and Prepayments**

The credit period of the Group's accounts receivable generally ranges from 30 to 60 days. (31 December 2015: 30 to 60 days). The ageing analysis of accounts receivable by due date is as follows:

	<b>Unaudited</b> <b>30 June 2016</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December</b> <b>2015</b> <i>HK\$'000</i>
<b>Accounts receivable</b>		
Not yet due	159,801	239,032
1 to 30 days	49,877	28,894
31 to 60 days	9,661	28,939
61 to 90 days	2,791	5,761
Over 90 days	<u>13,380</u>	<u>12,627</u>
	----- 235,510	----- 315,253
<b>Retention receivables</b>	128,312	122,303
<b>Other receivables</b>	<u>19,174</u>	<u>33,321</u>
<b>Receivables</b>	382,996	470,877
<b>Deposits and prepayments</b>	<u>21,323</u>	<u>35,545</u>
	<u><u>404,319</u></u>	<u><u>506,422</u></u>

The majority of the Group's accounts receivable are denominated in Hong Kong dollars. There were no accounts receivables impaired as of 30 June 2016 (2015: Nil). The maximum exposure to credit risk at the reporting date is the carrying value of the accounts receivable mentioned above. The Group does not hold any collateral as security.

**11 Balances with Fellow Subsidiaries, Ultimate Holding Company and Non-controlling Interests**

Balances with fellow subsidiaries, ultimate holding company and non-controlling interests are unsecured, interest free, repayable on demand with no fixed terms of repayment and mainly denominated in Hong Kong dollars.

Balances included receivables in trade nature amounted to HK\$4,723,000 (2015: HK\$678,000) and HK\$49,423,000 (2015: HK\$50,505,000) due from ultimate holding company and fellow subsidiaries respectively.

## 12 Bank Loans

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
Portion due for repayment within one year	126,720	209,536
Portion due for repayment after one year, which contains a clause of repayment on demand in the second year	<u>72,000</u>	<u>84,000</u>
Total bank loans	<u><u>198,720</u></u>	<u><u>293,536</u></u>

## Notes:

- (a) As at 30 June 2016, the Group had bank loans of HK\$198,720,000 (31 December 2015: HK\$244,992,000) and Nil (31 December 2015: HK\$48,544,000) denominated in Hong Kong dollars and Macau Pataca respectively.
- (b) The bank loans of the Group carried weighted average interest rates of 2.7% (31 December 2015: 2.7%) per annum.
- (c) The Group's bank loan of HK\$96,000,000 (31 December 2015: HK\$108,000,000) is subject to a floating charge over the assets of its subsidiaries.
- (d) The carrying amounts of loans approximate their fair values.

## 13 Payables and Accruals

The credit period of the Group's accounts payable generally ranges from 30 to 60 days. (31 December 2015: 30 to 60 days). The ageing analysis of accounts payable by due date is as follows:

	Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
<b>Accounts payable</b>		
Not yet due	400,092	372,109
1 to 30 days	24,616	43,250
31 to 60 days	10,309	9,684
61 to 90 days	4,193	2,545
Over 90 days	<u>16,939</u>	<u>11,998</u>
	----- 456,149	----- 439,586
<b>Retention payables, other payables and accruals</b>	<u>214,931</u>	<u>191,210</u>
	<u><u>671,080</u></u>	<u><u>630,796</u></u>

## 14 Share Capital

	Number of shares '000	Amount HK\$'000
<b>Issued and fully paid:</b>		
<b><u>Ordinary shares</u></b>		
At 1 January 2016	347,676	34,768
Share issued upon exercise of options granted under the Share Option Scheme	<u>280</u>	<u>28</u>
At 30 June 2016	<u><u>347,956</u></u>	<u><u>34,796</u></u>
<b><u>Convertible preference shares</u></b>		
At 1 January 2016	<u>80,000</u>	<u>8,000</u>
At 30 June 2016	<u><u>80,000</u></u>	<u><u>8,000</u></u>
<b>Ordinary shares and convertible preference shares issued and fully paid</b>		
At 30 June 2016	<u><u>427,956</u></u>	<u><u>42,796</u></u>
At 31 December 2015	<u><u>427,676</u></u>	<u><u>42,768</u></u>

## 15 Operating Leases Commitments

The future aggregate minimum lease rental expenses under non-cancellable operating leases are payable as follows:

	Land and buildings		Office equipment	
	Unaudited	Audited	Unaudited	Audited
	30 June	31 December	30 June	31 December
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	11,269	10,686	543	524
In the second to fifth years inclusive	<u>10,309</u>	<u>4,280</u>	<u>497</u>	<u>664</u>
	<u>21,578</u>	<u>14,966</u>	<u>1,040</u>	<u>1,188</u>

## 16 Related Party Transactions

Summary of the significant related party transactions carried out by the Group as follows:

		Unaudited Six months ended 30 June	
		2016	2015
	Note	HK\$'000	HK\$'000
Service charges paid to			
– ultimate holding company	(i)	(3,468)	(3,293)
– fellow subsidiaries	(i)	(3,292)	(7,709)
Rental expenses paid to			
– ultimate holding company	(ii)	(468)	(468)
– fellow subsidiaries	(ii)	(2,334)	(2,400)
Services income from			
– ultimate holding company	(iii)	1,601	1,139
– fellow subsidiaries	(iii)	6,599	5,852
Contracting work's income from			
– ultimate holding company	(iv)	5,000	2,269
– fellow subsidiaries	(iv)	70,998	159,748

Notes:

- (i) Service charges paid in respect of administrative services provided by ultimate holding company and fellow subsidiaries to the Group which were reimbursed at cost based on time and expenses allocated to the Group.
- (ii) Rental expenses paid to ultimate holding company and fellow subsidiaries based on actual usage and market rent.
- (iii) Services income earned on services including leasing services, consultancy fee, security, repair and maintenance, laundry, cleaning, etc. rendered, which were mutually agreed by both parties.
- (iv) Contracting work's income earned from ultimate holding company and fellow subsidiaries, which was mutually agreed by both parties.

## 2. INDEBTEDNESS

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had approximately HK\$255.3 million outstanding bank loans denominated in Hong Kong dollars and all are guaranteed by the Company. Out of these outstanding loans, one outstanding loan in the amount of HK\$90.0 million is secured by a floating charge over all the property, assets and rights of the Company and three outstanding loans in the aggregate amount of approximately HK\$45.3 million are secured by certain account receivables of the Group.

Save as disclosed above at the close of business on 31 October 2016, the Group did not have any bank loans, loan capital issued and outstanding or agreed to be issued, bank overdrafts, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

## 3. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

- (a) as disclosed in the interim report of the Company for the six months ended 30 June 2016,
  - (i) in respect of the interior and special project business, the operating profit decreased by 18.4% to HK\$17.3 million, as a result of developing the new management teams to handle upcoming new business opportunities for business expansion;
  - (ii) in respect of the property and facility management service in Hong Kong, the operating profit decreased by 16.8% to HK\$13.9 million, as a result of expansion of the management team for new business development;
  - (iii) new contracts amounting to approximately HK\$969.3 million had been secured during the period, a substantial increase from that of the corresponding period in 2015; and
  - (iv) the gearing ratios, calculated based on net debt to net assets and total debt to net assets, were 30.3% and 69.1% respectively as at 30 June 2016 (31 December 2015: 58.6% and 105.1% respectively). Such decrease was mainly due to the repayment of bank loans during the period.
- (b) part of the construction work for the residential development project located in Lantau Island (awarded in late 2015) had been suspended during June to mid September 2016, due to major change in design plan; and
- (c) the Group recorded a decrease in total contract value of new contracts awarded during 2nd half of 2016, as compared to 1st half of 2016, although there continues to be ample tender opportunities and the Group has continued actively to submit tenders, the outcome of which is invariably not capable of prediction.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror, the Group and the Offers.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

This Composite Document, for which all Directors jointly and severally accept full responsibility for the accuracy of the information contained in it (other than the information relating to the Offeror and parties acting in concert with it), is in compliance with the Listing Rules. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) 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 Composite Document (other than that relating to the Offeror and parties acting in concert with it) misleading.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company comprised ordinary shares in the amount of HK\$900,000,000 divided into 9,000,000,000 Shares of HK\$0.10 each and convertible preference shares in the amount of HK\$1,000,000,000 divided into 100,000,000 CPSs of HK\$0.10 each. As at the Latest Practicable Date, the Company has in issue 351,080,000 Shares and 80,000,000 CPSs convertible into 80,000,000 Shares and an aggregate of 4,250,000 outstanding Options the full exercise of which will result in the issue of 4,250,000 Shares. Other than these, the Company has no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

All the Shares in issue rank *pari passu* in all respects with each other, including as to rights in respect of capital and dividends and voting. Since 31 December 2015, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has issued an aggregate of 3,404,000 Shares as a result of exercise of Options by the Option Holders.

### 3. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price HK\$</b>
31 May 2016	1.19
30 June 2016	1.15
29 July 2016	1.09
31 August 2016	1.10
30 September 2016	1.12
31 October 2016	1.23
18 November 2016 (the Last Trading Day)	1.60
30 November 2016	suspended
30 December 2016	1.49
10 January 2017 (Latest Practicable Date)	1.65

During the Relevant Period, the highest closing price of the Shares quoted on the Stock Exchange was HK\$1.93 on 2 December 2016 and the lowest closing price of the Shares quoted on the Stock Exchange was HK\$1.07 on 14 September 2016 and 15 September 2016, respectively.

### 4. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date:

- i. no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- ii. none of the Company and any of the Directors was interested in or owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;

- iii. save for Mr. Terence Leung Siu Cheong who held 600,000 Options, Mr. Stephen Ip Shu Kwan who held 300,000 Options and Mr. Kan Fook Yee who held 200,000 Options, none of the other Directors held any Shares, convertible securities, warrants, Options or derivative of any Shares. The exercise period and exercise price of such Options are set out below:

Name of Directors	Number of Options involved	Exercise Period	Exercise Price (HK\$)
Mr. Terence Leung Siu Cheong	300,000	27 May 2017 – 27 May 2019	0.952
	300,000	27 May 2018 – 27 May 2019	0.952
Mr. Stephen Ip Shu Kwan	100,000	27 May 2014 – 27 May 2017	0.952
	100,000	27 May 2015 – 27 May 2017	0.952
	100,000	27 May 2016 – 27 May 2017	0.952
Mr. Kan Fook Yee	100,000	27 May 2015 – 27 May 2017	0.952
	100,000	27 May 2016 – 27 May 2017	0.952

- iv. each of Mr. Terence Leung Siu Cheong, holding 600,000 Options, Mr. Stephen Ip Shu Kwan, holding 300,000 Options and Mr. Kan Fook Yee, holding 200,000 Options, has indicated his intention to reject the Option Offer with respect to the Options held by him and the Share Offer with respect to any Shares issuable upon the exercise of such Options;
- v. there were no Shares, convertible securities, warrants, Options or derivative of any Shares which the Company or the Directors had borrowed or lent;
- vi. none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code (but excluding exempt principal traders) owned or controlled any Shares, convertible securities, warrants, Options or derivatives of the Company;
- vii. no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code;
- viii. no Shares, convertible securities, warrants, Options or derivatives in respect of any Shares were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- ix. there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- x. no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

## 5. DEALING IN SECURITIES AND OTHER ARRANGEMENTS

During the Relevant Period:

- i. none of the Company nor any of the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;
- ii. save as disclosed below, none of the Directors have dealt for value in any Shares, Options, derivatives, warrants or other securities convertible into the Shares:

Name of Director(s)	Date of dealing	Nature of dealing	Number of relevant Shares/ Options dealt	Selling price/ exercise price per Share (HK\$)	(In respect of Options exercised) any option money paid or received (HK\$)
Mr. Terence Leung Siu Cheong	9 December 2016	Exercise of Options	108,000	0.952	102,816
		Sale	28,000	1.800	–
			56,000	1.790	–
			24,000	1.780	–
	12 December 2016	Exercise of Options	192,000	0.952	182,784
		Sale	192,000	1.690	–
Mr. David Yu Hon To	12 December 2016	Exercise of Options	100,000	0.952	95,200
		Sale	100,000	1.700	–
Mr. Kan Fook Yee	16 December 2016	Exercise of Options	100,000	0.952	95,200
		Sale	60,000	1.600	–
			40,000	1.610	–
Mr. Wong Tsan Kwong	30 December 2016	Exercise of Options	100,000	0.952	95,200
		Sale	16,000	1.470	–
			56,000	1.480	–
			28,000	1.500	–
Mr. Stephen Ip Shu Kwan	5 January 2017	Exercise of Options	100,000	0.850	85,000
		Sale	24,000	1.470	–
			48,000	1.480	–
			28,000	1.500	–

- iii. none of the subsidiaries of the Company or any pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, Options or derivatives in respect of any Shares;
- iv. no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, Options or derivatives in respect of any Shares; and

- v. no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, Options or derivatives in respect of any Shares.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group or the associated companies of the Company which:

- (i) have been entered into or amended (including both continuous and fixed term contracts) within 6 months prior to the commencement of the Offer Period other than the contracts set out below;
  - (a) on 17 June 2016, the Company entered into an appointment letter with Mr. Kan Fook Yee in respect of the renewal of his role as an independent non-executive Director. The term of such appointment is three years, commencing from 17 June 2016 and ending on 16 June 2019, subject to the provisions of the bye-laws of the Company and the requirements of all applicable rules and regulations, including but not limited to the Listing Rules. As of the Latest Practicable Date, Mr. Kan Fook Yee is entitled to a director's fee of HK\$240,000 per annum and an aggregate of HK\$70,000 for his services rendered as the chairman of nomination committee and a member of the audited committee and remuneration committee of the Company for the financial year ended 31 December 2016; and
  - (b) on 17 June 2016, the Company entered into an appointment letter with Mr. Stephen Ip Shu Kwan in respect of the renewal of his role as an independent non-executive Director. The term of such appointment is three years, commencing from 17 June 2016 and ending on 16 June 2019, subject to the provisions of the bye-laws of the Company and the requirements of all applicable rules and regulations, including but not limited to the Listing Rules. As of the Latest Practicable Date, Mr. Stephen Ip Shu Kwan is entitled to a director's fee of HK\$240,000 per annum and an aggregate of HK\$50,000 for his services rendered as the chairman of the remuneration committee and a member of the nomination committee of the Company for the financial year ended 31 December 2016;
- (ii) are continuous contracts with a notice period of 12 months or more; or
- (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period other than the contracts set out in paragraph 6(i) above and below:
  - (a) on 1 September 2015, the Company entered into an amended service contract with Mr. Terence Leung Siu Cheong in respect of his redesignation as an executive Director and one of the co-managing Directors. The term of such appointment is commencing from 1 September 2015 and ending on 9 April 2018 terminable by either party by giving not less than three months' prior written notice. As of the Latest Practicable Date, Mr. Terence Leung Siu Chong is entitled to a fixed salary of HK\$2,420,400 per annum for 2017 (representing a 4.97% increase from his basic salary for 2016), a director's fee of HK\$150,000 per annum and the management bonus of a particular financial year to be determined by the Board each year.

- (b) on 28 May 2015, the Company entered into an appointment letter with Mr. David Yu Hon To in respect of the renewal of his role as an independent non-executive Director. The term of such appointment is three years, commencing from 29 May 2015 and ending on 28 May 2018, subject to the provisions of the bye-laws of the Company and the requirements of all applicable rules and regulations, including but not limited to the Listing Rules. As of the Latest Practicable Date, Mr. David Yu Hon To is entitled to a director's fee of HK\$240,000 per annum and an aggregate of HK\$60,000 for his services rendered as the chairman of audit committee of the Company for the financial year ended 31 December 2016.

## 7. EXPERT AND CONSENT

In addition to the Offeror's experts listed in paragraph 3 of Appendix IV, the following are the qualifications of the expert who has given opinions or advice which is contained or referred to in this Composite Document:

Name	Qualification
INCUCorporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

INCUCorporate Finance Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion, and/or references to its name in the form and context in which it appears.

## 8. LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, were entered into by the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- the sale and purchase agreement ("SPA") dated 21 September 2016 entered into by the Company as the vendor and Dimension Vantage Limited, as the purchaser in respect of the sale and purchase of 51% share capital in Driven Power Management Limited, a direct wholly-owned subsidiary of the Company for a cash consideration of HK\$179 million (the "Disposal"). Due to commercial reasons after due and careful consideration of all factors regarding the Disposal, parties terminated the SPA by a deed of termination on 15 November 2016. Please refer to the announcements of the Company dated 21 September 2016 and 15 November 2016 for more details.

**10. GENERAL**

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is at 10th Floor, Hsin Chong Center, 107-109 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.
- (ii) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (iii) The English texts of this Composite Document and the Forms of Acceptance shall prevail over the Chinese texts, in case of any inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (ii) the website of the Company ([www.synergis.com.hk](http://www.synergis.com.hk)) during the period from the date of this Composite Document up to and including the Offers Closing Date:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2014 and 2015, respectively;
- (iii) the letter from the Board, the text of which is set out in this Composite Document;
- (iv) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (vi) the service contracts referred to in the paragraph headed "6. Directors' Service Contracts" in this appendix;
- (vii) the written consent referred to in the paragraph headed "7. Expert and Consent" in this appendix; and
- (viii) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Offers, the Offeror and the Group.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Group, the Vendor I, the Vendor II and parties acting in concert with any of them), and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than that relating to the Company, the Vendor I, the Vendor II and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. DISCLOSURE OF INTERESTS BY THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it are as follows:

Shareholder(s)	Capacity and nature of interest	Number of Ordinary Shares held	Approximate % of total issued Shares
The Offeror	Beneficial owner	224,116,777	63.84%
Mrs. Chu	Interest of controlled corporation	224,116,777	63.84%
Holder(s)	Capacity and nature of interest	Number of CPSs held	Approximate % of total issued CPSs
The Offeror	Beneficial owner	80,000,000	100.00%
Mrs. Chu	Interest of controlled corporation	80,000,000	100.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned or controlled any Shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding entered and/or to be entered into by the Offeror pursuant to which the securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

Save as the Acquisitions, the Offeror and parties acting in concert with it had not dealt for value in any shares, options, derivatives, warrants or other securities convertible into Shares or other types of equity interest in the Company during the Relevant Period.

**3. EXPERTS AND CONSENTS**

The followings are the qualification of the experts whose letter or opinion is contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Kingston Corporate Finance	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO

Each of Kingston Securities and Kingston Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report and/or opinion and references to its name in the form and context in which they are respectively included.

**4. GENERAL**

- (a) The principle office of the Offeror and the address of Mrs. Chu are Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (b) The registered address of Kingston Corporate Finance is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (c) The registered address of Kingston Securities is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (d) The English text of this Composite Document and the Forms of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

**5. DOCUMENTS AVAILABLE FOR INSPECTION AND DOCUMENTS ON DISPLAY**

Copies of the following documents are available for inspection on (i) the website of the Company ([www.synergis.com.hk](http://www.synergis.com.hk)); and (ii) the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this Composite Document up to and including the Offers Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 6 to 14 of this Composite Document;
- (c) the written consents referred to under the paragraph headed "Experts and Consents" in this appendix.