**CHECKLIST**

**CIRCULAR FOR CONNECTED TRANSACTION**

**(GEM)**

|  |  |  |
| --- | --- | --- |
| **Name of Issuer** | : |  |
| **Case Number** | : |  |
| **Description of Transaction** | : |  |

###### Information required in the Circular:-

|  |  | Page |  | **Complied**  **With? (Y/N/NA)** |  | **Comment (where applicable)** |
| --- | --- | --- | --- | --- | --- | --- |
| **Part I - General** |  |  |  |  |  |  |
| **Rule 2.18**  A statement of responsibility and confirmation on the part of the directors of the issuer in the following form:- |  |  |  |  |  |  |
| “This [document], for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this [document] 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 herein or this document misleading.” |  |  |  |  |  |  |
| **Rule 2.19**  Must contain on its front cover or inside front cover a prominent and legible disclaimer statement as follows:- |  |  |  |  |  |  |
| “Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.” |  |  |  |  |  |  |

|  | | | | | | | |  | Page |  | **Complied**  **With? (Y/N/NA)** |  | **Comment (where applicable)** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Rule 2.20** | | | | | | | |  |  |  |  |  |  |
| Must contain, at a prominent position, and in bold type, a statement in the following terms concerning the characteristics of GEM:-  “Characteristics of GEM of The Stock Exchange of Hong Kong Limited (the “Exchange”).  GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.  Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.” | | | | | | | |  |  |  |  |  |  |
| **Rule 2.28** | | | | | | | |  |  |  |  |  |  |
| The issuer must, to the extent that it is aware having made all reasonable enquiries, include in the circular:  (1) a statement as at the date by reference to which disclosure of the shareholding is made in the circular as to whether and to what extent any shareholder who is required to abstain from voting under the GEM Listing Rules controls or is entitled to exercise control over the voting right in respect of his shares in the issuer;  (2) particulars of:  (a) any voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any such shareholder; and  (b) any obligation or entitlement of any such shareholder as at the date by reference to which disclosure of the shareholding of any such shareholder is made in the circular,  whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his shares in the issuer to a third party, either generally or on a case-by-case basis;  (3) a detailed explanation of any discrepancy between any such shareholder’s beneficial shareholding interest in the issuer as disclosed in the circular and the number of shares in the issuer in respect of which he will control or will be entitled to exercise control over the voting right at the relevant meeting; and  (4) steps undertaken by the shareholder (if any) to ensure shares being the subject of the discrepancy referred to in rule 2.28(3) are not voted. | | | | | | | |  |  |  |  |  |  |
| Rule 11.04 | | | | | | | |  |  |  |  |  |  |
| Full and accurate disclosure of any business or interest of each director, controlling shareholder and, in relation only to the initial listing document, substantial shareholder and the respective close associates of each that competes or may compete with the business of the group and any other conflict of interest which any such person has or may have with the group must be disclosed in each listing document and circular required pursuant to the GEM Listing Rules (excluding any Explanatory Statement issued pursuant to rule 13.08).  *(See Notes 1 to 3 to rule 11.04)* | | | | | | | |  |  |  |  |  |  |
|  | | | | | | | |  |  |  |  |  |  |
| **Rule 17.52A** | | | | | | | |  |  |  |  |  |  |
| The circular published by an issuer pursuant to the GEM Listing Rules must set out its stock code in a prominent position on the cover page or, where there is no cover page, the first page of the relevant circular. | | | | | | | |  |  |  |  |  |  |
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| **Rule 17.56A** | | | | | | | |  |  |  |  |  |  |
| The circular issued by an issuer pursuant to the GEM Listing Rules must disclose the name of each director as at the date of the relevant circular. | | | | | | | |  |  |  |  |  |  |
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| **Part II – CHAPTER 20** | | | | | | | |  |  |  |  |  |  |
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| **Rule 20. 67** | | | | | | | |  |  |  |  |  |  |
| (1) | | a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer’s group; | | | | | |  |  |  |  |  |  |
|  | |  | | | | | |  |  |  |  |  |  |
| (2) | | where practicable, include a numerical evaluation; | | | | | |  |  |  |  |  |  |
|  | |  | | | | | |  |  |  |  |  |  |
| (3) | | contain all information necessary to allow the listed issuer’s shareholders to make a properly informed decision; and | | | | | |  |  |  |  |  |  |
|  | |  | | | | | |  |  |  |  |  |  |
| (4) | | contain a heading drawing attention to the importance of the document and advising shareholders who are in any doubt to consult appropriate independent advisers on the appropriate course of action | | | | | |  |  |  |  |  |  |
|  | |  | | | | | |  |  |  |  |  |  |
| **Rule 20.68** | | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (1) | the Exchange’s disclaimer statement (see rule 2.19) on its front cover or inside front cover; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (2) | the information required to be disclosed in the announcement for the transaction; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (3) | the identities and a description of the principal business activities of the parties to the transaction and of their ultimate beneficial owner(s); | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (4) | the name of the connected person concerned, his or its relationship with any controller and the name and office held by that controller; | | | | | | |  |  |  |  |  |  |
|  |  | |  | | | | |  |  | | | | |
| (5) | if the transaction is a continuing connected transaction, how the listed issuer determines and calculates the cap, including the assumptions and the amounts of previous transactions which form the basis of the cap; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (6) | a letter from each of the independent financial adviser and, if applicable, the independent board committee containing its opinion and recommendation on the transaction (see rules 20.41 and 20.43); | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (7) | if the transaction involves the acquisition or disposal of any property interests or a company whose assets consist solely or mainly of property, a valuation and information on the property if required under rule 8.03;  **(*Please refer to the checklist “Valuation of Properties Being Acquired/ Disposed of” (CF021G), if applicable.)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (8) | if the primary significance of the asset (other than property interests) being acquired or disposed of is its capital value, an independent valuation of the asset; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (9) | if the transaction involves an acquisition or disposal of a company or business engaging in an infrastructure project, a business valuation report on that company or business and/or traffic study report on the project. The report(s) must clearly set out: | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (a) all significant underlying assumptions including the discount rate or growth rate used; and | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (b) a sensitivity analysis based on different discount rates and growth rates.  If the business valuation is based on a profit forecast, the accounting policies and calculations for the underlying forecasts must be examined and reported on by the auditors or reporting accountants. Any financial adviser mentioned in the circular must also report on the underlying forecasts. | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (10) | if the transaction involves the listed issuer’s group acquiring a company or business from a connected person, details of: | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (a) any guarantee of the profits or net tangible assets or other matters regarding the financial performance of the company or business provided by the connected person, and a statement by the listed issuer that it will comply with the disclosure requirements (see rule 20.61) if the actual performance fails to meet the guarantee; and | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (b) any option granted to the listed issuer’s group to sell the company or business back to the connected person and/or other rights given to the listed issuer’s group; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (11) | a statement whether any directors of the listed issuer have a material interest in the transaction and, if so, whether they have abstained from voting on the board resolution; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (12) | a statement that any shareholder with a material interest in the transaction will not vote and the information required in rule 2.28; ***(See above)***; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (13) | Appendix D1B - 1, 2, 5, 10, 29(2), 32, 39, 40, 42(2)(c) ***(See Part III of this checklist)***; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (14) | information regarding directors’ and chief executive’s interests in the listed issuer described in paragraphs 34, 38 and 38A of Appendix D1B; ***(See Part III of this checklist)***; | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (15) | information regarding the competing interests (if any) of each of the directors and any proposed director of the listed issuer and his respective close associates as would be required to be disclosed under rule 11.04 as if each of them was a controlling shareholder; and | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| (16) | any additional information requested by the Exchange. | | | | | | |  |  |  |  |  |  |
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| **Part III – Appendix D1B** | | | | | | | |  |  |  |  |  |  |
| 1. | The full name of the issuer. | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 2. | A statement as follows:-  "This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 herein or this document misleading.”  ***(See Note 1 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 5. | Where the listing document includes a statement purporting to be made by an expert, a statement:- | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (1) | | specifying the qualifications of such expert and whether such expert has any shareholding in any member of the group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the group and, if so, a full description thereof; | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (2) | | that the expert has given and has not withdrawn his written consent to the issue of the listing document with the expert's statement included in the form and context in which it is included; and | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (3) | | of the date on which the expert's statement was made and whether or not it was made by the expert for incorporation in the listing document. | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 10. | (1) | | (if applicable) the nature and amount of the issue including the number (or, if not yet determinable, the minimum and maximum number) of securities which have been or will be created and/or issued, if predetermined. | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (2) | | (if applicable) whether or not, and if so to what extent, the issue has been underwritten and, if not fully underwritten, the minimum amount of capital, if any, which the issuer must raise for the issue to proceed. | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | *Note: References to issue include transfer of treasury shares.* | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 29. | (2) The issuer must determine in advance with its financial adviser whether to include a profit forecast in a listing document. Where a profit forecast appears in any listing document, it must be clear, unambiguous and presented in an explicit manner and the principal assumptions, including commercial assumptions, upon which it is based, must be stated. The accounting policies and calculations for the forecast must be examined and reported on by the reporting accountants or auditors, as appropriate, and their report must be set out. The financial adviser must report in addition that it have satisfied itself that the forecast has been stated by the directors after due and careful enquiry, and such report must be set out. | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 32. | A statement by the directors of any material adverse change in the financial or trading position of the group since the date to which the latest published audited accounts of the issuer have been made up, or an appropriate negative statement. | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 34. | Where any director or proposed director is a director or employee of a company which has an interest or short position in the shares or underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinances, that fact shall be stated.  ***(See Note 8 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 38. | (1) | | A statement showing the interests or short positions of each director and chief executive of the issuer in the shares, underlying shares and debentures of the issuer or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) which:— | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (a) | | | are required to be notified to the issuer and the Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which he is taken or deemed to have under such provisions of the Securities and Futures Ordinance); or | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (b) | | | are required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein; or | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (c) | | | are required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the issuer and the Exchange; | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | or an appropriate negative statement. Provided that the Exchange may agree in its sole discretion that compliance with this paragraph may be modified or waived in respect of any associated corporation if, in the opinion of the Exchange, the number of associated  corporations in respect of which each director and chief executive is taken or deemed to have an interest or short position under Part XV of the Securities and Futures Ordinance is such that compliance with this paragraph would result in particulars being given which are not material in the context of the group and are excessive in length. | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (2) | | The information required to be included by virtue of paragraph 38(1) of Appendix D1B must specify the company in which interests or short positions are held, the class to which those securities belong and the number of such securities held, but need not disclose: | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (a) | | | the interests of a director or a chief executive officer in the shares of the listed issuer or any of its subsidiaries if such interest is held solely in a non-beneficial capacity and is for the purpose of holding the requisite qualifying shares; or | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (b) | | | the non-beneficial interests of directors or chief executive officers in the shares of any subsidiary of the listed issuer in so far as that interest comprises the holding of shares subject to the terms of a written, valid and legally enforceable declaration of trust in favour of the parent company of that subsidiary or the listed issuer and such interest is held solely for the purpose of ensuring that the relevant subsidiary has more than one member. | |  |  |  |  |  |  |
|  |  | | *Note:* | | | *Where interests in securities arising from the holding of such securities as qualifying shares are not disclosed pursuant to the exception provided in this paragraph, a general statement should nevertheless be made to indicate that the directors hold qualifying shares.* | |  |  |  |  |  |  |
|  |  | |  | | |  | |  |  |  |  |  |  |
|  |  | | |  | | |  | |  |  |  |  |  |
|  | (4) | | Statements disclosing interests and short positions in shares, underlying shares and debentures have to separately refer to three categories of persons, namely, directors and chief executives, substantial shareholders and other persons who are required to disclose their interests. Such statements should describe the capacity in which such interests and short positions are held and the nature of such interests and short positions as disclosed in the prescribed forms required to be used, when giving notice pursuant to sections 324 and 347 of Part XV of the Securities and Futures Ordinance. Where interests or short positions are attributable on account of holdings through corporations that are not wholly-owned by the person making disclosure, the percentage interests held by such person in such corporations should be disclosed. | | | |  | |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 38A. | For directors and chief executives, the statements should show details of the following matters as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance: | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (1) | | aggregate long position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity: | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (a) | | | interests in shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds); | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (b) | | | interests in debentures; and | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (c) | | | interests under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:  (i) physically settled equity derivatives;  (ii) cash settled equity derivatives;  (iii) other equity derivatives. | |  |  |  |  |  |  |
|  | ***(See Notes 1 to 3 to paragraph 38A(1) of Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  | (2) | | aggregate short position in shares and (in respect of positions held pursuant to equity derivatives) underlying shares and in debentures of the issuer and its associated corporation(s) showing separately for each entity: | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (a) | | | short positions in respect of shares arising under a stock borrowing and lending agreement; and | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (b) | | | short positions under equity derivatives showing separately for listed and unlisted equity derivatives, interests in underlying shares of the entity pursuant to:  (i) physically settled equity derivatives;  (ii) cash settled equity derivatives; and  (iii) other equity derivatives. | |  |  |  |  |  |  |
|  | ***(See Notes 1 and 2 to paragraph 38A(2) of Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | ***(See Note 7 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | |  | |  |  |  |  |  |
| 38C. | For other persons whose interests are recorded (or, in the case of a new listing, are required to be recorded) in the register required to be kept under section 336 of the Securities and Futures Ordinance, the statements should show details of the same matters as are required to be disclosed in the case of a substantial shareholder pursuant to paragraph 38B, except that note (3) to paragraph 38B(1) does not apply.  ***(See Note 7 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
|  |  | | | | | |  | |  |  |  |  |  |
| 39. | Particulars of directors' existing or proposed service contracts with any member of the group (excluding contracts expiring or determinable by the employer within 1 year without payment of compensation (other than statutory compensation)), or an appropriate negative statement.  ***(See Notes 2 and 8 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |
| 40. | (1) | | Full particulars of the nature and extent of the interest, direct or indirect, if any, of every director or proposed director or expert (as named in the listing document) in any assets which have been, since the date to which the latest published audited accounts of the issuer were made up, acquired or disposed of by or leased to any member of the group, or are proposed to be acquired or disposed of by or leased to any member of the group, including:- | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (a) | | | the consideration passing to or from any member of the group; and | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  |  | | (b) | | | short particulars of all transactions relating to any such assets which have taken place within such period. | |  |  |  |  |  |  |
|  |  | | or an appropriate negative statement. | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (2) | | Full particulars of any contract or arrangement subsisting at the date of the listing document in which a director of the issuer is materially interested and which is significant in relation to the business of the group, or an appropriate negative statement.  ***(See Notes 2 and 8 to Appendix D1B)*** | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
| 42. | Details of a reasonable period of time (being not less than 14 days) during which the following documents where applicable are published on the Exchange’s website and the issuer’s own website:- | | | | | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | (2) Each of the following contracts:- | | | | | | |  |  |  |  |  |  |
|  |
|  |  | | | |  | | |  |  |  |  |  |  |
|  | (c) | | | | in the case of a notifiable transaction or connected transaction circular, any contracts pertaining to the transaction, | | |  |  |  |  |  |  |
|  |  | | | | | | |  |  |  |  |  |  |
|  | or where any of the above contracts have not been reduced into writing, a memorandum giving full particulars thereof.  ***(See Note 2 to Appendix D1B)*** | | | | | | |  |  |  |  |  |  |

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| * This checklist is provided for reference only. In case of doubt, listed issuers are advised to refer to the Listing Rules for the specific requirements. * Please make annotation in the margin of the draft document for the respective paragraph of the Listing Rules. * When your answer to an item on the checklist is “No” or “Not applicable”, the reason for such response should be clearly disclosed in the “Comment” section. |

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| --- | --- | --- | --- |
|  |  |  |  |
| Submitted by: |  | Date: |  |
|  | Signature |  |  |
|  |  |  |  |
|  | Name and Firm |  |  |
|  |  |  |  |