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Post-Hearing Information Pack

CROSSTEC Group Holdings Limited

易緯集團控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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CROSSTEC Group Holdings Limited

易緯集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])

Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and the [REDACTED])

[REDACTED] : Not more than [REDACTED] per [REDACTED] and not less than [REDACTED] per [REDACTED] (payable in full on application in Hong Kong dollars) plus brokerage of 1%, SFC transaction levy of 0.0027%, and [REDACTED] of 0.005%

Nominal value : HK\$0.01 per Share

[REDACTED] : [REDACTED]

Sole Sponsor

SUNWAH KINGSWAY

新華滙富

Kingsway Capital Limited

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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The [REDACTED] is expected to be fixed by an agreement between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) on the [REDACTED]. The [REDACTED] is expected to be on or about [REDACTED] or such other date or time as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]). The [REDACTED] will be not more than [REDACTED] per [REDACTED] and is expected to be not less than [REDACTED] per [REDACTED], unless otherwise announced. Applicants for the [REDACTED] are required to pay, on application, the maximum [REDACTED] of [REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027% and [REDACTED] of 0.005%, subject to refund if the [REDACTED] should be lower than [REDACTED].

The [REDACTED] (for itself and on behalf of the other [REDACTED]), with the consent of our Company, may reduce the indicative [REDACTED] range below that as stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such event, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED], an announcement and will be posted on the website of the [REDACTED] and on the website of our Company (www.crosstec.com.hk) of such change. Further details are set out in the section headed “Structure and Conditions of the [REDACTED]” in this document. If, for whatsoever reason, our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) are unable to reach an agreement at or prior to [REDACTED] or such other date or time as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]), the [REDACTED] will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published on the [REDACTED] and our Company’s website at www.crosstec.com.hk.

Prospective investors of the [REDACTED] should note that the [REDACTED] will not proceed if the [REDACTED] (for itself and on behalf of the other [REDACTED]) terminates the obligations of the [REDACTED] under the [REDACTED] after any of the events set out in the section headed “[REDACTED]” in this document occurs prior to 8:00 a.m. on the [REDACTED]. It is important that you refer to the section headed “[REDACTED]” in this document for further details. It is important that you carefully read those sections before making any investment decision.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, including, without limitation, the risk factors set out in the section headed “Risk Factors” in this document.

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this document and the related [REDACTED] to make your [REDACTED] decision. Our Company, the Sole Sponsor, [REDACTED], [REDACTED] and the [REDACTED] have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by our Company, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], any of their respective directors, advisors, officers, employees, agents or representatives or any other person involved in the [REDACTED].

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	20
FORWARD-LOOKING STATEMENTS	29
RISK FACTORS	30
WAIVERS FROM STRICT COMPLIANCE WITH THE [REDACTED] AND EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE	39
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	41
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	45
CORPORATE INFORMATION	48
INDUSTRY OVERVIEW	50
REGULATORY OVERVIEW	67
HISTORY AND REORGANIZATION	85

CONTENTS

	<i>Page</i>
BUSINESS	93
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS	135
CONNECTED TRANSACTIONS	141
FUTURE PLANS AND USE OF PROCEEDS	147
DIRECTORS AND SENIOR MANAGEMENT	155
SHARE CAPITAL	164
SUBSTANTIAL SHAREHOLDERS	167
FINANCIAL INFORMATION	168
UNDERWRITING	208
STRUCTURE AND CONDITIONS OF THE [REDACTED]	216
HOW TO APPLY FOR [REDACTED]	222
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — PROFIT ESTIMATE	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	IV-1
APPENDIX V — STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a provider of interior design solutions and the majority of our clients are global luxury goods and high-end fashion brands with retail stores across the world. According to the Frost & Sullivan Report, we are the largest Hong Kong-based luxury retail interior designer in terms of revenue in 2015. We serve a global client base with footprints in various parts of the world including Hong Kong, China, the United States, Europe, Middle East and other Asian countries. We provide bespoke and total interior design solutions to our clients, which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Each of these services may be provided on its own or collectively with other services to our clients according to their specific demand and requirement for each individual project. During the Track Record Period, our millwork, furniture and facades were produced by our suppliers, while the fit-out work was carried out by our sub-contractors or local contractors.

Our revenues for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 were HK\$123.8 million, HK\$113.8 million, HK\$130.6 million and HK\$100.8 million, respectively, representing a CAGR of approximately 2.7% from June 30, 2013 to June 30, 2015. Our gross profit for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 were HK\$33.4 million, HK\$37.0 million, HK\$44.2 million and HK\$35.7 million, respectively, representing a CAGR of approximately 15.1% from June 30, 2013 to June 30, 2015.

During the Track Record Period, we completed a total of 725 projects in 67 cities, of which 57.2%, 14.8%, 22.5% and 4.3% of our completed projects were in Hong Kong, Europe, Asia (excluding Hong Kong), and Americas.

OUR SERVICES AND PRODUCTS

We provide four major categories of bespoke and total interior design services to our clients, including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy.

SUMMARY

The below summarizes the services and products that we provide to our clients in respect of their shop locations during the Track Record Period:

Services and products	Shop locations of our clients		
	Hong Kong	Asian countries (excluding Hong Kong)	Overseas (excluding Asian countries)
Millwork and furniture provision ^{Note 1}	✓	✓	✓
Facade development and fabrication ^{Note 1}	—	—	✓
Interior solutions			
— Fit-out construction	✓	✓ (local contractors were engaged)	—
— Millwork and furniture provision ^{Note 1}	✓	✓	—
— Facade development and fabrication ^{Note 1}	✓	✓	—
Design and project consultancy	—	✓	✓

Note:

- The millwork, furniture and pre-fabricated facades provided were sales of goods in nature.

We currently employ 28 employees, consisting primarily of interior designers and project managers. We do not do our own manufacturing or fit-out work. During the Track Record Period, our millwork and furniture and facade were produced by our suppliers, while our fit-out work was carried out by our sub-contractors and local contractors.

Millwork and furniture and facade development and fabrication service

In relation to our millwork and furniture provision and facade development and fabrication services, we would provide design concept drawing of the millwork, furniture or facade taking into consideration the client’s existing design materials as well as any specifications provided by our clients. Based on our expertise and industry experience, we also provide suggestions to the design and suitable materials to our clients with considerations to factors such as local safety regulations and security concerns. Upon confirmation from our clients, our suppliers will produce the millwork, furniture or facade based on our designs. We maintain stringent quality control on the products provided by our suppliers throughout the production process. For details of our quality control measures, please see the section headed “Business — Quality Control and Warranty — Quality Control”.

In addition, during the Track Record Period, we provided millwork and furniture and facade development and fabrication by delivering/exporting the finished products from the supplier’s factory to overseas, which were recognized as sales of goods upon delivery.

SUMMARY

Interior solutions

We provide interior design solutions to our clients in Hong Kong and other Asian countries. Such services include fit-out construction services, millwork and furniture provision and facade development and fabrication services.

During the Track Record Period, we provided fit-out construction services as the main contractor of the relevant projects in Hong Kong. In relation to other Asian countries, we would engage local fit-out contractors to deliver the fit-out construction services to our clients for the relevant projects. During the Track Record Period, we have not provided any fit-out construction services overseas.

In relation to our fit-out construction related work, we would conduct preliminary design interview with our client to clarify the general design concept once our quotation is confirmed. Initial site survey and site-marking will be carried out to facilitate a more detailed planning. We may be required to procure various materials depending on project requirements. We select materials for each project based on our clients’ specification, which is normally either cost or quality driven. The description and type of the proposed materials will be approved by our client prior to material procurement. Once approved by our client, we will issue purchase orders to the selected materials suppliers with the agreed specification of the materials, delivery schedule and terms of payment.

Design and project consultancy

For our design and project consultancy project, we can provide interior design proposal for our clients on our client’s concept, or derive a concept based on our client’s requirements. Once a project is awarded, our design team would conduct site survey and plan for the interior layout of the design, providing several design options while highlighting each of their pros and cons for our client’s consideration.

PRICING

We generally determine our service fees by adding a margin to the estimated time cost and cost of materials. When determining the appropriate margin, we take into account a variety of factors such as our client’s acceptable fees range based on our past dealings, fees we previously received for similar project, prevalent market rate, as well as other practical factors. For details, please see the section headed “Business — Our Clients — Pricing”.

MAJOR DEVELOPMENT MILESTONES

Our history dates back to 1999 and we began working with world-known luxury brands since 2000. We became the furniture and showcases supplier of Client CT and Graff Diamonds for their stores worldwide since 2003 and 2009, respectively. For further details, please see the section headed “History and Reorganization — Our Business Milestones”.

SUMMARY

OUR CLIENTS

The majority of our clients are global luxury goods and high-end fashion brands with retail boutiques across the world. For our five largest clients during the Track Record Period, we have established business relationships with them for an average of over five years. For the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, revenue derived from our five largest clients (by brand name) amounted to approximately 73.7%, 72.2%, 77.8% and 89.3% respectively of the total revenue of our Group, whilst our largest client (by brand name) account for approximately 21.6%, 27.2%, 34.1% and 56.5% respectively of the total revenue of our Group for the same period.

OUR SUPPLIERS AND SUB-CONTRACTORS

The materials that are used for our business operations primarily include metal, glass, lighting and wooden furniture which accounted for approximately 65.1%, 65.6%, 64.9% and 85.7% of our total direct costs in the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively. Our largest supplier accounted for approximately 23.2%, 32.5%, 25.8% and 38.4% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively. The purchases from our five largest suppliers accounted for approximately 46.3%, 55.0%, 49.3% and 55.9% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively.

As at the Latest Practicable Date, we have a pool of over 50 suppliers and sub-contractors from which we select for our projects. This pool of suppliers are reviewed and updated on an ongoing basis by our management according to the quality, pricing and production schedule of the materials and services provided. Our suppliers and sub-contractors are mostly located in Hong Kong, Macau and China.

We primarily engage our suppliers and sub-contractors to provide (i) fit-out services, (ii) millwork and furniture provision; and (iii) facade development and fabrication services. Our fit-out services sub-contractors in Hong Kong, generally provide construction services such as electrical, carpentry and mechanical work. Save for the registration of Minor Work Contractors which may be required for certain type of construction work, our fit-out subcontractors in Hong Kong are not required to hold any particular license for the provision of services. Our suppliers provide processing and manufacturing services for our millwork and furniture products and facade development and fabrication.

We generally do not enter into long term contracts with our suppliers and our orders are placed on an as-needed basis depending on the project schedule. We have established long term relationships with our five largest suppliers and sub-contractors for over six years on average. Over the years, we have been working closely with them and have maintained good relationships. Our Directors believe that we do not place undue reliance on any of our suppliers or sub-contractors as we have alternative sources for all major materials and services.

SUMMARY

SALES AND MARKETING

As at the Latest Practicable Date, our business development team has two staff. Our business development team is primarily responsible for devising short and long-term business goals, building client relationships, identifying business opportunities and maintaining up-to-date market information. They are also responsible for liaising with our clients and collecting their feedback. We have already accumulated an extensive list of prestigious clients, who engage us regularly for their new projects. As our quality is highly recognized by our clients, we also receive referrals from our existing clients, contractors, suppliers and even other industry players from time to time.

OUR INDUSTRY

The interior design industry targeting the Hong Kong and global luxury goods and high-end fashion market is highly fragmented. There are over 350 interior design companies in Hong Kong targeting this segment, most of them are small-scale. The top five Hong Kong-based interior design companies contributed to no more than 1.0% in aggregate in the interior design segment targeting the luxury goods and high-end fashion brands globally in 2015. The top five interior design companies (Hong Kong-based and non-Hong Kong-based) had a combined market share of 16.3% in the interior design segment targeting the luxury goods and high-end fashion in Hong Kong in 2015. The market share of our Group in the overall interior design industry in the world and in Hong Kong was approximately 0.003% and 0.22%, respectively in 2015. For details, please see the section headed “Industry Overview”.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe we have the following competitive strengths:

- Bespoke interior design solutions for high-end luxury brands
- Our strong reputation for high quality services and products
- We are the global supplier of in-store furniture of our major clients
- Long-term and well-established relationships with our global clients
- Proven track record in luxury brands interior design projects provide us with competitive edge in pursuing new project opportunities
- Innovative and custom-made design solutions, cost-effectiveness and synergy among our servicing teams
- Our global penetration reduces our exposure to regional economic downturn
- Our experienced, visionary and dedicated management team and innovative design and creative team

SUMMARY

We are committed to further deepening our standing as one of the leading providers and continue to provide bespoke interior design solutions to our clients. We plan to accomplish our goal through the following strategies:

- Continue to enhance our strong relationships with our existing clients and explore new markets
- Expand our design and creative team and establishment of research and development center
- Set up a sales and marketing team and overseas office to further penetrate local and overseas markets
- Pursue suitable acquisition and partnership opportunities

MAJOR RISK FACTORS

Our Group believes that there are certain risks involved in our operations. For details, please see the section headed "Risk Factors". Many of these risks are beyond our control and can be categorized in the following manner:

- Our Group's business is project-based. The types of projects we carry out will vary and, in turn, our revenue mix may vary from time to time. Fee collection and profit margin depend on the terms of the quotation and may not be regular;
- The duration of our projects varies and our clients do not have long term commitments with us;
- We depend on our suppliers and contractors to complete our projects and to implement measures or procedures during the execution of our projects;
- Our success is dependent on the retention of key management personnel;
- We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the EU, Australia and other relevant sanctions authorities;
- Our business is dependent on the luxury goods sector and global economic conditions; and
- Luxury brands may reduce reliance on physical stores.

BUSINESS ACTIVITIES IN LEBANON AND RUSSIA

During the Track Record Period, we provided furniture to our clients, which was eventually delivered to Lebanon and Russia, which are subject to certain International Sanctions. The amount of total revenue derived from sales of furniture to Russia and Lebanon represented approximately 0.1%, 0.1%, 4.6% and nil of our total revenue for each of three years ended June 30, 2015 and the 10 months ended April 30, 2016 respectively. As advised by Hogan Lovells, our legal advisors as to International Sanctions laws, the delivery of our products to Lebanon and Russia during the Track Record Period do not implicate the applicability of International Sanctions laws on our Group, or any person or entity,

SUMMARY

including our Group’s investors, our Shareholders, the [REDACTED]. Please see the section headed “Business — Business Activities in Lebanon and Russia” for details of our business activities in those countries, our various undertakings to the [REDACTED] and the relevant internal control procedures. Our Directors undertake not to enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group’s investors, our Shareholders, the [REDACTED] to risk of being sanctioned. We have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the [REDACTED]. Our Directors do not expect any significant increase or decrease in our Group’s sales to Lebanon and Russia upon [REDACTED].

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued under the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), our Controlling Shareholders will be:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested immediately following completion of the [REDACTED] and the [REDACTED] <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]
CGH (BVI) <i>(Note 2)</i>	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Lee <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]
Ms. Leung <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.
2. CGH (BVI) is owned as to 50% and 50% by each of Mr. Lee and Ms. Leung, who are deemed to be interested in 75% of the issued share capital of our Company in which CGH (BVI) is interested. Ms. Leung is the wife of Mr. Lee and is deemed under Part XV of the SFO to be interested in the Shares which are interested by Mr. Lee, and vice versa.

SUMMARY

After the completion of the [REDACTED] and upon [REDACTED], there will be certain continuing connected transactions between our Group and the connected persons of our Controlling Shareholder, Mr. Lee. Please see the section headed “Connected Transactions” for details.

In addition, our Controlling Shareholders’ commitment to our long term development and prospect is demonstrated by their irrevocable non-disposal undertaking not to, among others, cease to be a controlling shareholder (within the meaning defined in the [REDACTED]) of our Company for a period of 36 months from the [REDACTED]. Such undertaking is voluntary in nature. Please see the section headed “Underwriting — [REDACTED] — Undertakings” for details.

SUMMARY

OUR RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our consolidated results of operations. All the ratios calculated in this document are calculated with number rounded to the nearest thousands, except when otherwise indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended June 30,					10 months ended April 30,				
	2013	% of	2014	% of	2015	% of	2015	% of	2016	% of
	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total	HK\$'000	total
		revenue		revenue		revenue	(unaudited)	revenue		revenue
Revenue	123,767	100.0%	113,798	100.0%	130,578	100.0%	114,087	100.0%	100,837	100.0%
Direct cost	<u>(90,400)</u>	-73.0%	<u>(76,751)</u>	-67.4%	<u>(86,376)</u>	-66.1%	<u>(74,796)</u>	-65.6%	<u>(65,175)</u>	-64.6%
Gross profit	33,367	27.0%	37,047	32.6%	44,202	33.9%	39,291	34.4%	35,662	35.4%
Other income	3	0.0%	3	0.0%	4	0.0%	2	0.0%	3	0.0%
Other gains and losses	—	—	306	0.3%	44	0.0%	44	0.0%	—	—
Administrative expenses	(12,523)	-10.1%	(13,006)	-11.4%	(15,615)	-12.0%	(13,356)	-11.7%	(15,708)	-15.6%
[REDACTED] expenses	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>(10,549)</u>	-10.5%
Operating profit	20,847	16.8%	24,350	21.4%	28,635	21.9%	25,981	22.8%	9,408	9.3%
Finance costs	<u>(7)</u>	0.0%	<u>(5)</u>	0.0%	<u>(3)</u>	0.0%	<u>(3)</u>	0.0%	<u>—</u>	—
Profit before income tax expense	20,840	16.8%	24,345	21.4%	28,632	21.9%	25,978	22.8%	9,408	9.3%
Income tax expense	<u>(3,522)</u>	-2.8%	<u>(4,164)</u>	-3.7%	<u>(4,849)</u>	-3.7%	<u>(4,425)</u>	-3.9%	<u>(3,183)</u>	-3.2%
Profit for the year/period and attributable to owners of the Company	17,318	14.0%	20,181	17.7%	23,783	18.2%	21,553	18.9%	6,225	6.2%
Items that may be reclassified subsequently to profit or loss										
Exchange differences on translating foreign operations	<u>39</u>	0.0%	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>(59)</u>	-0.1%
Other comprehensive income for the year/period and attributable to owners of the Company, net of tax	<u>39</u>	0.0%	<u>—</u>	—	<u>—</u>	—	<u>—</u>	—	<u>(59)</u>	-0.1%
Total comprehensive income for the year/period and attributable to owners of the Company	<u>17,357</u>	14.0%	<u>20,181</u>	17.7%	<u>23,783</u>	18.2%	<u>21,553</u>	18.9%	<u>6,166</u>	6.1%

SUMMARY

Revenue

Our revenue was HK\$123.8 million, HK\$113.8 million, HK\$130.6 million, HK\$114.1 million and HK\$100.8 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

The following table sets forth the components of our revenue by our services for the periods indicated:

	Year ended June 30,		Year ended June 30,		Year ended June 30,		10 months ended April 30,		10 months ended April 30,	
	2013	% of	2014	% of	2015	% of	2015	% of	2016	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Millwork and furniture provision	38,434	31.1%	64,726	56.9%	57,904	44.3%	48,489	42.5%	66,897	66.3%
Facade development and fabrication	16,153	13.1%	8,346	7.3%	6,823	5.2%	6,244	5.5%	18,733	18.6%
Interior solutions	69,145	55.8%	40,721	35.8%	64,752	49.7%	58,255	51.1%	14,817	14.7%
Design and project consultancy	35	0.0%	5	0.0%	1,099	0.8%	1,099	0.9%	390	0.4%
Total	123,767	100.0%	113,798	100.0%	130,578	100.0%	114,087	100.0%	100,837	100.0%

We generated revenue principally from providing four major categories of interior design services, including: (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions and (iv) design and project consultancy. The overall increase of our revenue for the three years ended June 30, 2015 was primarily due to the growth of our global client base. The decrease in our revenue for the 10 months ended April 30, 2016 was primarily due to the decrease in revenue generated from interior solutions because of local economic downturn, partially off-set by the increase in revenue generated from millwork and furniture provision because of the increase in demand from our clients.

Gross profit and gross margin

Our gross profit was HK\$33.4 million, HK\$37.0 million, HK\$44.2 million, HK\$39.3 million and HK\$35.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Our gross profit margin was 27.0%, 32.6%, 33.9%, 34.4% and 35.4% for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Our gross profit margin increased primarily due to (i) our improvement of production methodology, for instance, the improvement of fabrication and joinery technique which reduced the cost per furniture by 51% and development of a custom method to produce from double layering to simple layering with the same effect which reduced the cost per wood panel by 17%; and (ii) our creative use of cost effective materials such as replacing brass with steel which reduced the cost per unit of furniture by 36% and replacing solid wood with metal with wood veneer which reduced the cost per showcase by 15%. The aforementioned ways to improve production methodology and use of cost effective materials may not be applicable to all types of furniture our Company provided to all of our clients as our Company provides bespoke and total interior design solutions to our clients. During the Track Record Period, our Company developed a number of ways to improve production methodology for different projects and used cost effective materials according to the specific requirements of our clients in order to save cost and therefore, the percentage of cost saved per furniture varies.

SUMMARY

Profit for the year

Our profit for the year was HK\$17.3 million, HK\$20.2 million, HK\$23.8 million, HK\$21.6 million and HK\$6.2 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

For a detail discussion of our consolidated income statement, please see the section headed “Financial Information — Consolidated Statements of Comprehensive Income”.

Selected Consolidated Balance Sheet

	As at June 30,			As at
	2013	2014	2015	April 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Non-current assets	538	1,068	561	1,155
Current assets	70,648	54,799	48,525	53,270
Total assets	71,186	55,867	49,086	54,425
Current liabilities	61,612	50,068	39,578	50,772
Net current assets	9,036	4,731	8,947	2,498
Total assets less current liabilities	9,574	5,799	9,508	3,653
Non-current liabilities	104	123	49	28
Total liabilities	61,716	50,191	39,627	50,800
NET ASSETS	9,470	5,676	9,459	3,625
TOTAL EQUITY	9,470	5,676	9,459	3,625

During the Track Record Period, our current assets decreased from HK\$70.6 million as at June 30, 2013 to HK\$54.8 million as at June 30, 2014 primarily due to the decrease cash and cash equivalents because of the increase in settlement to suppliers at the end of the financial year and the decrease in amount due from a director. Our current assets further decreased to HK\$48.5 million primarily due to early settlement to suppliers at the end of the financial year. Our current liabilities decreased from HK\$61.6 million as at June 30, 2013 to HK\$39.6 million as at June 30, 2015 primarily due to the recognition of advancement from customers in the subsequent financial years and the settlement to suppliers during the financial years. The decline in equity for the year ended June 30, 2014 and the 10 months ended April 30, 2016 were mainly due to high dividend payout of HK\$24.0 million and HK\$12.0 million respectively.

SUMMARY

Selected Consolidated Statement of Cash Flows

	Year ended June 30,			10 months ended	
	2013	2014	2015	April 30,	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2015	2016
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Net cash from operating activities	34,011	7,613	22,616	16,346	1,577
Net cash used in investing activities	(10,023)	(19,645)	(14,670)	(4,262)	(6,041)
Net cash used in financing activities	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(95)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	23,952	(12,043)	7,851	11,989	(4,464)
Effect of exchange rate changes on cash and cash equivalents	(15)	227	(832)	(811)	(739)
Cash and cash equivalents at beginning of year/period	<u>10,906</u>	<u>34,843</u>	<u>23,027</u>	<u>23,027</u>	<u>30,046</u>
Cash and cash equivalents at end of year/period	<u><u>34,843</u></u>	<u><u>23,027</u></u>	<u><u>30,046</u></u>	<u><u>34,205</u></u>	<u><u>24,843</u></u>

The significant decline in the net cash from operating activities for the year ended June 30, 2014 was primarily due to (i) the increase in trade and other receivables of HK\$2.5 million because of the completion of two major projects at the financial year end which was yet to be settled by our clients, and (ii) the decrease in trade and other payables of HK\$12.6 million because of the early settlement to suppliers and utilization of receipts in advance due to the completion of projects at the financial year end.

The declined in the net cash from operating activities for the 10 months ended April 30, 2016 was primarily due to the increase in trade and other receivables of HK\$10.0 million because the Group has granted 60 days credit period for one major client in America during the period, and the completion of a project close to the end of the 10 months period.

For details of our cash flow, please see the section headed “Financial Information — Liquidity and Financial Resources and Capital Structure”.

SUMMARY

Major Financial Ratios

	As at June 30,			As at April 30,
	2013	2014	2015	2016
	%	%	%	%
Profitability ratios				
Gross profit margin ⁽¹⁾	27.0	32.6	33.9	35.4
Net profit margin ⁽²⁾	14.0	17.7	18.2	6.2
Return of equity ⁽³⁾	182.9	355.5	251.4	206.1
Return of total assets ⁽⁴⁾	24.3	36.1	48.5	13.7
	As at June 30,			As at April 30,
	2013	2014	2015	2016
	<i>times</i>	<i>times</i>	<i>times</i>	<i>times</i>
Liquidity ratios				
Current ratio ⁽⁵⁾	1.1	1.1	1.2	1.0
Quick ratio ⁽⁶⁾	1.1	1.1	1.2	1.0
Capital adequacy ratio				
Gearing ratio ⁽⁷⁾	0.01	0.02	—	—

Notes:

1. The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.
2. The calculation of net profit margin is based on profit for the period divided by revenue and multiplied by 100%.
3. The calculation of return on equity is based on profit for the year attributable to the owners of the company divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities.
6. The calculation of quick ratio is based on current assets less inventories divided by current liabilities.
7. The calculation of gearing ratio is based on interest-bearing liabilities divided by total capital.

During the Track Record Period, our gross profit margin increased from 27.0% as at June 30, 2013 to 35.4% as at April 30, 2016 primarily due to (i) our improvement of production methodology, for instance, the improvement of fabrication and joinery technique which reduced the cost per furniture by 51% and development of a custom method to produce from double layering to simple layering with the same effect which reduced the cost per wood panel by 17%; and (ii) our creative use of cost effective materials such as replacing brass with steel which reduced the cost per unit of furniture by 36% and replacing solid wood with metal with wood veneer which reduced the cost per showcase by 15%. The aforementioned ways to improve production methodology and use of cost effective materials may not be applicable to all types of furniture the Company provided to all of its clients as the Company provides

SUMMARY

bespoke and total interior design solutions to its clients. During the Track Record Period, the Company developed a number of ways to improve production methodology for different projects and used cost effective materials according to the specific requirements of its clients in order to save cost and therefore, the percentage of cost saved per furniture varies.

Our gearing ratio was low during the Track Record Period because we did not have any bank loans or other borrowings and our liquidity ratios were stable between 1.0 to 1.2 during the Track Record Period.

OPERATIONAL DATA

The table below sets out our recognized revenue and total value of new contracts during the Track Record Period and up to the Latest Practicable Date, and the opening and closing value of our backlog during the relevant period:

	Year ended June 30,			10 months ended April 30, 2016	From May 1, 2016 to the Latest Practicable Date
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	24,169	35,339	17,749	18,229	17,208
Total value of new contracts ⁽¹⁾	134,937	96,208	131,058	99,816	53,983
Total revenue recognized ⁽²⁾	(123,767)	(113,798)	(130,578)	(100,837)	(36,516)
Closing value of backlog ⁽³⁾	35,339	17,749	18,229	17,208	34,675
— Millwork and furniture provision					
Value of backlog (<i>HK\$'000</i>)	20,617	10,647	10,430	17,208	18,539
Project commencement period	April to June 2013	April to June 2014	April to June 2015	January to March 2016	March to August 2016
Project completion period	July to September 2013	July to September 2014	July to September 2015	May to June 2016	August to October 2016
— Facade development and fabrication					
Value of backlog (<i>HK\$'000</i>)	2,547	1,013	7,799	—	—
Project commencement period	April to May 2013	May 2014	April 2015	N/A	N/A
Project completion period	July to August 2013	August 2014	July to August 2015	N/A	N/A

SUMMARY

	Year ended June 30,			10 months ended April 30, 2016	From May 1, 2016 to the Latest Practicable Date
	2013	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— Interior solutions					
Value of backlog (<i>HK\$'000</i>)	12,175	6,089	—	—	15,996
Project commencement period	April to June 2013	April to June 2014	N/A	N/A	May to August 2016
Project completion period	July to October 2013	July to September 2014	N/A	N/A	August to October 2016
— Design and project consultancy					
Value of backlog (<i>HK\$'000</i>)	—	—	—	—	140
Project commencement period	N/A	N/A	N/A	N/A	March 2016
Project completion period	N/A	N/A	N/A	N/A	October 2016

Notes:

- (1) Total value of new contracts refers to the aggregate value of our new contracts which were awarded to us during the relevant year or period indicated.
- (2) Recognized revenue refers to the portion of the total estimated revenue that has been recognized in the relevant year or period indicated.
- (3) Closing value of backlog refers to the portion of the total estimated revenue that has not been recognized with respect to projects that have not been fully completed as at the end of the relevant year or period indicated.

RECENT DEVELOPMENT

Despite the recent downturn in the tourism industry and retail sales market in Hong Kong as well as the weakened global macro-economy, our Group's operations and financial position are not materially affected due to our well-diverse client base in different geographical locations, our capability to promptly respond to our clients' expansion, relocation or downsizing plans. We have long term business relationship with our clients and our strong reputation in the industry enable us to capture new business opportunities from referrals by existing clients, the industry peers and through our business development efforts. As at the Latest Practicable Date, we had a total of 37 projects on hand. The majority of these projects are located in Europe and Hong Kong with a total contract sum of approximately HK\$35.9 million. In April and August 2016, we entered into two confidentiality agreements with one of our major clients for the launching of two new stores in China, where we were engaged for millwork and furniture provision. The first project has been completed in July 2016 and the second project is expected to commence in early 2017. Our Group is also currently in negotiation with (i) one of our major clients to provide millwork and furniture for its 70 stores in the U.S. in 2016 and 2017, of which 20 stores is expected to be completed by the end of 2016; (ii) Client M, a high-end Italian childrenswear brand, for launching stores in Beijing and Shenyang; (iii) a few new clients for the provision of interior solutions in Hong Kong and millwork and furniture and facade in Angola, Middle East and other Asian countries

SUMMARY

to be carried out in the second half of 2016; (iv) a listed client in Hong Kong for the provision of interior solutions; and (v) a French restaurant chain to provide millwork and furniture for its five new restaurants in Shanghai.

Our Directors confirm that there had been no material adverse change in our financial, operational or trading position or prospects for the two months ended June 30, 2016. Our Directors further confirm that, save for the one-off [REDACTED] expenses described under “— [REDACTED] Expenses” below, there had been no material adverse change in our financial, operational or trading position or prospects since April 30, 2016, being the date of our latest audited financial results as set out in the Accountants’ Report in Appendix I to this document, up to the date of this document. Please refer to the relevant disclosure set out in note IV in the Accountants’ Report included in Appendix I to this document for events that took place subsequent to April 30, 2016.

[REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total expenses for [REDACTED] are estimated to be approximately HK\$24.6 million, of which approximately HK\$10.6 million was recognized as [REDACTED] expenses in our consolidated statements of comprehensive income during the 10 months ended April 30, 2016. We expect to incur additional [REDACTED] expenses of approximately [REDACTED] and [REDACTED] which will be recognized as [REDACTED] expenses for the two years ending June 30, 2016 and 2017 respectively. The balance of approximately HK\$8.5 million is expected to be recognized as a deduction in equity upon [REDACTED].

In view of the above, our Directors are of the view that the one-off [REDACTED] expenses, which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending June 30, 2016. We wish to emphasize that the aforesaid amount of [REDACTED] expenses is a current estimate for reference only and the final amount to be recognized in our consolidated statement of comprehensive income for the year ending June 30, 2016 which will be subject to adjustments based on audit and changes in variables and assumptions.

DIVIDEND

For the year ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, we declared and distributed dividends of HK\$16.1 million, HK\$24.0 million, HK\$20.0 million and HK\$12.0 million, respectively, to our then Shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. For details of our declared dividend and dividend policy, please see the section headed “Financial Information — Dividend”.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

SUMMARY

REASONS FOR THE [REDACTED]

The following are our main purposes for seeking the [REDACTED]:

- broadening our shareholder base and enhancing our access to capital for future growth with opportunities to raise fund not only at [REDACTED] but also at a later stage. This is of particular importance to us in view of our plans to expand into the overseas markets, enhance the geographical coverage of our business, and to achieve economy of scale through suitable acquisition and partnership opportunities. In addition, our Directors have considered to use debt financing from banks to fund our future business growth, however, given our Group does not have chargeable assets as security, it may take longer to obtain banking facilities. And also, the interest rate on bank loans is expected to be on the up trend in the future and our Group will be subject to high interest cost. Therefore, our Directors are of the view that, fund-raising through [REDACTED] will reduce our financing costs and increase our financial leverage;
- enhancing our profile, visibility and our market presence to generate reassurance among our clients and suppliers. We believe that our clients, being world-renowned luxury brands, prefer to work with business partners who are listed companies given their reputation and listing status. By way of [REDACTED], we can elevate our corporate image and status and provide reassurance and confidence to our clients and suppliers, which in turn provides a more level playing field when exploring new business opportunities with our clients and suppliers. Furthermore, with better financial resources, it will enable us to take on projects of greater size, improve our capacity to take on new projects and ensure their timely completion. This can fuel our business growth in a much faster pace and improve our market competitiveness;
- enhancing our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management; and
- enhancing employee incentive and commitment. Human resources and talents are vital to our business, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. Please see the section headed “Statutory and General Information — Share Option Scheme” for a summary of principal terms of the scheme.

In light of the foregoing, the [REDACTED] will further complement our strong liquidity position as reflected during our Track Record Period.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds we will receive from the [REDACTED] (after deducting [REDACTED] commissions by us in connection with the [REDACTED]) will be approximately [REDACTED], assuming an [REDACTED] Price of [REDACTED] per Share, being the mid-point of the [REDACTED] range stated in this document.

We plan to apply these net proceeds for the following purposes. For details, please see the section headed “Future Plans and Use of Proceeds”.

- (1) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for pursuing suitable acquisition and partnership opportunities;
- (2) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for financing the incorporation of overseas subsidiaries in Milan, Beijing, New York and Tokyo, which include:
 - approximately [REDACTED] or [REDACTED] will be used for the one-off costs for the setting-up of overseas subsidiaries;
 - approximately [REDACTED] or [REDACTED] will be used for the general operating costs; and
 - approximately [REDACTED] or [REDACTED] will be used for recruiting designated staff in our overseas offices.
- (3) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for financing the establishment of research and development center in Hong Kong;
- (4) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for recruiting high caliber talents in management, design, sales and marketing and enhance internal training to support future growth;
- (5) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for additional working capital and other general corporate purposes;
- (6) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for promoting our brand by strengthening our marketing efforts to further increase our market share.

SUMMARY

PROFIT ESTIMATE

For the purpose of illustrating the effect of the [REDACTED] as if it had taken place on July 1, 2015, our unaudited pro forma estimated earnings per Share for the year ended June 30, 2016 has been prepared on the bases of the notes set out below. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ended June 30, 2016 or for any future period.

Estimated consolidated profit attributable to owners
of the Company for the year ended June 30, 2016⁽¹⁾ not less than HK\$11.3 million

Unaudited pro forma estimated earnings per Share
for the year ended June 30, 2016⁽²⁾ not less than HK\$0.0047

Notes:

- (1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this document. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended June 30, 2016 based on the audited consolidated results for the ten months ended April 30, 2016 and the unaudited consolidated results based on management accounts of our Group for the two months ended June 30, 2016.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended June 30, 2016 attributable to owners of the Company, assuming that a total of 2,400,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme.

[REDACTED] STATISTICS

[REDACTED] upon [REDACTED] [REDACTED]

Number of [REDACTED]. [REDACTED] Shares

[REDACTED] structure [REDACTED] Shares for the [REDACTED] and
[REDACTED] Shares for the [REDACTED]

[REDACTED] per Share. [REDACTED]

[REDACTED]. [REDACTED] Shares

Unaudited pro forma adjusted consolidated
net tangible assets per Share⁽¹⁾ [REDACTED] to [REDACTED]

Note:

- (1) See "Unaudited Pro Forma Financial Information" in Appendix II to this document for further details regarding the assumptions used and the calculations method.

DEFINITIONS

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

[REDACTED]

“Articles of Association” or “Articles”	the articles of association of our Company adopted on August 22, 2016 and which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix IV to this document
“associate(s)”	has the meaning ascribed thereto under the [REDACTED]
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period

[REDACTED]

DEFINITIONS

“Client A”	a British-based luxury fashion brand founded in 1992 and a group company of a French luxury goods conglomerate, one of our top five clients during the Track Record Period
“Client B”	a French-based high-end jeweler and watchmaker found in 1858 and a group company of a French luxury goods conglomerate, one of our top five clients during the Track Record Period
“Client CT”	a French-based luxury jewelry and watchmaker founded in 1847 and a group company of a Swiss-based luxury goods conglomerate, not one of our top five clients during the Track Record Period
“Client D”	a multinational luxury travel retailer established in Hong Kong in 1960 and a group company of a French-based conglomerate, one of our top five clients during the Track Record Period
“Client GG”	an Italian luxury brand of fashion and leather goods established in 1921 and a group company of a French-based conglomerate, not one of our top five clients during the Track Record Period
“Client M”	a high-end Italian childrenswear brand, not one of our top five clients during the Track Record Period
“Client T”	a New York-based jeweler and specialty retailer established in 1837, one of our top five clients during the Track Record Period
“Client V”	a prestigious watchmaker founded in 1755 and a group company of a Swiss-based luxury goods conglomerate, one of our top five clients during the Track Record Period
	[REDACTED]
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company” or “Crosstec”	CROSSTEC Group Holdings Limited (易緯集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 18, 2016, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 13, 2016
“connected person(s)”	has the meaning ascribed to it under the [REDACTED]
“Controlling Shareholders”	has the meaning ascribed to it under the [REDACTED] and, in the context of our Company, means the controlling shareholders of our Company, namely, Mr. Lee, Ms. Leung and CGH (BVI)
“Crosstec (BVI)”	CROSSTEC (BVI) Limited, a company established in the BVI with limited liability on March 21, 2016 and wholly-owned subsidiary of our Company
“Crosstec Group”	CROSSTEC Group Limited (易緯集團有限公司) (formerly known as CROSSMAX GROUP LIMITED (宏緯控股有限公司)), a limited liability company incorporated in Hong Kong on May 10, 2007 and an indirect wholly-owned subsidiary of our Company
“Crosstec Interiors”	CROSSTEC Interiors Limited (易緯設計工程有限公司) (formerly known as CROSS MAX INTERIORS LIMITED (宏緯設計工程有限公司)), a limited liability company incorporated in Hong Kong on April 21, 1999 and an indirect wholly-owned subsidiary of our Company
“Crosstec International”	CROSSTEC International Limited (易緯國際有限公司) (formerly known as CROSSMAX INTERNATIONAL LIMITED (宏緯國際有限公司)), a limited liability company incorporated in Hong Kong on May 17, 2007 and an indirect wholly-owned subsidiary of our Company
“Crosstec (Shenzhen)”	Crosstec Trading Shenzhen Company Limited (宏經緯貿易(深圳)有限公司), a wholly foreign-owned limited liability company (有限責任公司(台港澳法人獨資)) established in the PRC on December 4, 2009 and an indirect wholly-owned subsidiary of our Company
“CX (Macau)”	CX (MACAU) LIMITED (宏經緯(澳門)一人有限公司), a company incorporated in Macau on December 17, 2013 and an indirect wholly-owned subsidiary of our Company
“Deed of Non-competition”	the deed of non-competition dated August 22, 2016 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “Relationship with our Controlling Shareholders” in this document

DEFINITIONS

“Director(s)”	the director(s) of our Company
“EU”	the European Union
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	an industry report commissioned by us and issued by Frost & Sullivan
“GDP”	gross domestic product [REDACTED]
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong [REDACTED]
“HKFRS” or “HKFRSs”	Hong Kong Financial Reporting Standards [REDACTED]
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC [REDACTED]
“independent third party(ies)”	an individual or a company which is independent from and not connected with (within the meaning of [REDACTED]) any directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates
“International Sanctions”	sanction-related laws and regulations issued by the U.S., the EU, Australia or the United Nations

DEFINITIONS

“Kingsway Capital” or “Sole Sponsor”	Kingsway Capital Limited, the sponsor for the [REDACTED] and a corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Kingsway Financial” or “[REDACTED]” or “[REDACTED]”	Kingsway Financial Services Group Limited, the [REDACTED] and the [REDACTED] for the [REDACTED] and a corporation licensed under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities
“Koala Securities” or “[REDACTED]”	Koala Securities Limited, the [REDACTED] for the [REDACTED] and a corporation licensed under the SFO to engage in type I (dealing in securities) and type 4 (advising on securities) regulated activities
“Latest Practicable Date”	August 20, 2016, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein [REDACTED]
“Macau”	Macau Special Administrative Region of the PRC [REDACTED]
“Max Contracting”	Max Contracting Limited (宏大設計工程有限公司), a limited liability company incorporated in Hong Kong on September 21, 1998 and is owned as to approximately 33.3% by Mr. Lee, and approximately 33.3% by each of Mr. Wong Ping Kwan (黃炳坤), Mr. So Kam Kong (蘇錦曠), both of which are independent third parties
“MOP”	Macau Pataca, the lawful currency of Macau

DEFINITIONS

“Mr. Lee”	Mr. Lee Wai Sang (李偉生), our chairman, executive Director and chief executive officer, the spouse of Ms. Leung and a Controlling Shareholder
“Ms. Leung”	Ms. Leung Mo Shan Jackie (梁慕珊), the spouse of Mr. Lee and a Controlling Shareholder
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
	[REDACTED]
“PRC” or “China”	People’s Republic of China which, for the purposes of this document only, excludes Hong Kong, Macau and Taiwan

DEFINITIONS

[REDACTED]

“Reorganization”	the corporate reorganization of our Group in preparation for the [REDACTED] as described in the section headed “History and Reorganization — Reorganization” in this document and the section headed “Statutory and General Information — Corporate Reorganization” in Appendix V to this document
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and General Information — Further information about our Company” in Appendix V to this document
“RMB”	Renminbi, the lawful currency of the PRC
“Sanctioned Countries”	countries which are the targets of economic sanctions as administered by the U.S., the EU, the United Nations and Australia

DEFINITIONS

“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the EU, the United Nations or Australia
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company [REDACTED]
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on August 22, 2016, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and general information — Share Option Scheme” in Appendix V to this document
“Shareholder(s)”	holder(s) of the Share(s) [REDACTED]
“Sole Sponsor”	Kingsway Capital
“sq.ft.”	square feet [REDACTED]
“subsidiary(ies)”	has the meaning ascribed to it under the [REDACTED]
“substantial shareholder(s)”	has the meaning ascribed to it under the [REDACTED]
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended June 30, 2013, 2014, 2015 and the 10 months ended April 30, 2016 [REDACTED]

DEFINITIONS

"US" or "U.S." or "United States"	United States of America
"US\$" or "US Dollars"	United States dollars, the lawful currency of the United States [REDACTED]
"Wealthmood"	Wealthmood Limited (福濠有限公司), a limited liability company incorporated in Hong Kong on April 11, 2006 and is wholly-owned by Mr. Lee [REDACTED]
"%"	per cent.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this document and their English translation, the Chinese version shall prevail.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

FORWARD-LOOKING STATEMENTS

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms, in particular, in the sections headed “Business” and “Financial information” in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this document and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividends;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the [REDACTED], we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. In this document, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

You should consider carefully all the information set out in this document and, in particular, the risks and uncertainties described below before making an [REDACTED] in the Shares. The occurrence of any of the following events could harm us and our Group’s business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the [REDACTED] of the Shares could decline and you may lose all or part of your [REDACTED].

Our Group believes that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized in the following manner:

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

Our Group’s business is project-based. The types of projects we carry out will vary and, in turn, our revenue mix may vary from time to time. Fee collection and profit margin depend on the terms of the quotation and may not be regular

Our Group’s business is project-based. Our Group’s services cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy, which can be individually or collectively engaged by our clients according to their needs for each individual project.

During the Track Record Period, our Group recorded overall gross profit margin of approximately 27.0%, 32.6% and 33.9% for the three years ended June 30, 2013, 2014 and 2015 respectively. For details, please refer to the section headed “Financial Information — Consolidated statements of comprehensive income”. Fee collection and profit margin significantly depend on various factors, such as the proposed budget of our clients, the terms of the quotations, the length of the project, the efficiency of implementation of the work and the general market conditions. As a result, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, the profit margin and time for profit recognition depend on the terms of the fee quotation and may also not be regular.

The duration of our projects with our clients varies and they do not have long term commitments with us

During the Track Record Period, majority of the duration of our projects ranged from 5 to 22 weeks. Our financial performance will continue to depend on (i) our ability to secure projects from our clients, (ii) the financial condition and commercial success of our clients and (iii) factors that affect the global economy in general. The duration of our projects varies and we cannot guarantee that our clients will engage us for new business after completion of the current projects. In particular, we cannot assure that we will be able to maintain or improve our relationships with our major clients and any of them may terminate their respective relationships with us as they do not have long-term commitments with us. Any decrease in the number of projects or amount of fees obtained from our clients could have an adverse effect on our operations and profits. In addition, there is no assurance that we can enlarge our client base.

RISK FACTORS

Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant quotations. If we fail to timely complete a project, we may be liable to compensate our client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for assembled products. As we typically receive payment in stages based on project progress, any delay in the course of a project may postpone our receipt of anticipated payments which could have a material adverse effect on our cashflow position. Although during the Track Record Period and up to the Latest Practicable Date, we have been able to complete our projects within the timeframe and have not incurred penalties or additional costs as a result of delay in the completion of our projects, there is no assurance that such project delays will not happen in the future. Any failure on our part to timely complete a project could harm our reputation in the industry and hinder our ability to win future business and as a result, our reputation, business and financial performance of operation could be materially and adversely affected.

If we fail to meet a specified technical standard, we may have to incur additional costs to remedy the defect for our clients, and our reputation and business could suffer

Our clients typically require us to commit to technical standards such as design, safety or functional requirements. We may be required to rectify any defects under the terms of our quotations or product warranty, which could require us to incur significant additional costs. Any such work defect could also harm our reputation, which could hinder our ability to win future business. Moreover, a severe technical defect could lead to incidents of personal injuries or property damages, which could result in expensive and time-consuming litigation and damages payments. Although historically we did not fail to meet the specified technical standards for our services and products, there is no assurance that such failure will not occur in the future. If any of the foregoing events occur, our business and financial performance could be materially and adversely affected.

We depend on our suppliers and contractors to complete our projects and to implement measures or procedures during the execution of our projects

In the course of our operations, we engage suppliers and contractors to provide certain services. We have established a system with respect to the selection and control of suppliers and contractors, including maintaining an updated list of contractors and suppliers and placing purchase orders to them to set forth each party's rights and obligations. However, there is no assurance that we will be able to monitor the performance of these suppliers and contractors as directly and efficiently as with our own staff. In addition, suitable suppliers and contractors may not always be readily available when we require their service. For any given project, workers from different trades with different skills may be required. Our ability to complete projects could be impaired if we are unable to engage suitable suppliers and contractors. If a contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher replacement cost than anticipated, which may have adverse impact on our profitability. If the performance of a supplier or contractor does not meet our standards, the quality of the project may be affected, which could harm our reputation and expose us to litigation and damage claims. In addition, industrial action or strike of any one trade will

RISK FACTORS

also affect the progress of our projects. In the event of the occurrence of any industrial actions or strike, such as those demanding for higher wages or shorter working hours, our profitability and financial performance may be adversely affected.

We may not be able to implement business strategies effectively to drive our growth

In light of the competitive environment of the high-end interior design industry, our ability to continue to grow our business will increasingly depend on our continuing ability to successfully implement our business strategies, which include enhancing relationships with our existing customers and tapping into new markets globally, expanding our design and creative team, setting up overseas subsidiaries for the purpose of sales and marketing, as well as selectively pursuing acquisition and partnership opportunities. There can be no assurance that we will successfully implement our strategies, or that our strategies, even if implemented, will result in achieving our objectives. Consequently, if we fail to effectively implement our business strategies, our business, results of operations and financial position may be materially and adversely affected.

Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation. The insurance premium payable by our Group may be increased

Although we consider that our insurance coverage is in line with industry standard, we may receive claims in respect of various matters from our clients, contractors, suppliers, workers and other parties concerned with the projects from time to time. As the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitrating authorities, the result of any of the outstanding claims may be unfavorable to us. There is no assurance that our current insurance will sufficiently protect us against all liabilities arising from such potential claims. In addition, there is no guarantee that our insurance premium, which is dependent on various factors such as the scope and value of the project and our insurance claim records, will not increase in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceed the limits of our insurance coverage, or the insurance premium increases significantly, our business and financial condition will be materially and adversely affected.

Our success is dependent on the retention of key management personnel

Our success and growth has largely been attributed to the contributions and experiences of our key management personnel and, in particular, their familiarity with our clients' culture and business. The executive Directors and most of the senior management have had a long history of working with our clients and understand their needs and requirements. They also have a well-established relationship with our contractors and suppliers. As competition for such personnel is intense, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

There is a limited pool of qualified and high-quality candidates and any failure to retain and recruit qualified professionals may adversely affect our business and growth

There is a limited pool of high-quality candidates who have the skills, know-how and experience required for our business. As the quality of our design and technical employees is key to our business, attracting and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to maintain our operation and growth, which may increase our costs and reduce our profit margin. We

RISK FACTORS

cannot assure you that we will be able to retain our existing designers and technical staff and recruit additional qualified professionals to support our future operations and growth. Any failure to do so may adversely affect our business and growth.

Non-renewal of, or delay in obtaining licenses may have a material adverse effect on our operations

It is a pre-requisite for us to obtain certain licenses from various governmental or regulatory authorities in order to carry on our business. For details, please see the section headed “Business — Key License”. However, these licenses are subject to periodic review and renewal by the relevant government authorities. In addition, should there be any subsequent modifications of, or additions or new restrictions to the current compliance standards, it would impose an additional burden on us which may in turn adversely affect our business, financial condition and results of operations. Although we have obtained all necessary licenses required for our operations, there is no assurance that we can continue to renew or that we will not experience any delay in obtaining all necessary licenses in the future. Any of such events occurring in the future may have a material adverse effect on our operations. Non-renewal of, or delay in obtaining, our licenses and failure to maintain our qualifications, may have a material adverse effect on our business, financial condition and results of operations. There may be a possibility that we will not be able to carry on our business without such licenses being granted or renewed or that the delay in obtaining the same may increase the cost or delay the progress of our projects.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the EU, Australia and other relevant sanctions authorities

The U.S. and other jurisdictions or organizations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we provided furniture to our clients’ stores located in certain of the Sanctioned Countries, namely, Lebanon and Russia, and our revenue derived accounted for approximately 0.1%, 0.1%, 4.6% and nil of our total revenue for each of three years ended June 30, 2015 and the 10 months ended April 30, 2016, respectively. We may continue to carry out such business activities from time to time in connection with such Sanctioned Countries. For details of the business operations in the Sanctioned Countries, please refer to “Business — Business activities in Lebanon and Russia”.

We undertake to the [REDACTED] that we will not use the proceeds from the [REDACTED], as well as any other funds raised through the [REDACTED], to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, or Sanctioned Persons or any other government, individual or entity sanctioned by the U.S., the EU, the United Nations, Australia or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the [REDACTED] that we will not enter into sanctionable transactions that would expose us or the relevant persons to risks of being sanctioned. If we breach any of these undertakings to the [REDACTED] after the [REDACTED], it is possible that the [REDACTED] may [REDACTED] our Shares. In order to ensure our compliance with these undertakings to the [REDACTED], we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to “Business — Business activities in Sanctioned Countries — Our undertakings and internal control procedures”.

RISK FACTORS

We will also seek to prevent our transactions in relation to the Sanctioned Countries from being subject to sanctions under the laws of the U.S., the EU, the United Nations, Australia or Hong Kong, and avoid doing business with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders' interests could be affected. We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, [REDACTED], or our Shareholders or investors to violate or become a target of sanctions laws of the U.S., the EU, the United Nations, Australia or Hong Kong. However, we cannot provide any assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that our business will conform to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the [REDACTED] to particular investors, which could affect the price of our [REDACTED] and Shareholders' interests in us, despite our commitment not to direct the [REDACTED] to dealings with sanctioned parties. Before [REDACTED] in our Shares, you should consider if such [REDACTED] would expose you to any of the U.S., the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your [REDACTED] in us.

The fit-out construction services of our interior solutions segment can be labor intensive. If our sub-contractors experience any shortage of labor, industrial actions, strikes or material increase in labor costs, our operations and financial results would be adversely affected

We rely on the stable workforce of our sub-contractors to carry out fit-out construction services of our interior solutions segment. During the Track Record Period and up to the Latest Practicable Date, our sub-contractors did not experience any material shortage of labor, industrial actions or strikes that caused delay to our projects. However, we cannot assure you that these incidents will not occur in the future. If our sub-contractors cannot recruit sufficient skilled workers to handle our projects in a timely manner, we may experience delay in project completion, and our ability to handle future projects would in turn be significantly impaired. In addition, should there be a material increase in the labor costs, the service fees payable to our sub-contractors may significantly increase. It may impose a negative impact on our profit margins and have a material adverse effect on our results of operations and financial conditions.

RISK FACTORS

We may be a party to various legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

We may be subject to claims for personal injury and property damage arising in connection with our projects. We may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or contractors, labor disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. In addition, we may be involved in legal proceedings in foreign jurisdictions where our projects are located and court procedures in such jurisdictions with which we are not familiar. Legal proceedings in foreign jurisdictions may be more unpredictable because of our unfamiliarity with local laws, higher travelling expenses and other disadvantages. The legal proceedings to which we are a party or may in the future become a party may have a material adverse impact on our business.

Any future natural disaster, health epidemics or terrorist attacks may adversely affect our operational results

Our business is subject to general economic and social conditions in the regions where we operate. Natural disasters, epidemics, terrorist attacks and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the regions where we operate. Some regions and the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome, or SARS, or H5N1 avian flu. Past occurrences of epidemics and terrorist attacks, depending on their scale, have caused different degrees of damage to the international and local economies employees are suspected of having SARS, H5N1 avian flu, H1N1 human swine flu or any other epidemic or any of our facility are identified as a possible source of spreading such epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. Any quarantine or suspension of our operations will affect our operational results. Any outbreak of epidemics, such as the H5N1 avian flu or the H1N1 human swine flu, or terrorist attacks may result in material disruptions to our operations and delays in meeting our clients' orders, which in turn could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY

Our business is dependent on the luxury goods sector and global economic conditions

The majority of our clients are world famous high-end luxury brands. In recent years, the slowdown of economic growth in the PRC and other major economic zones, as well as the weakness of the economic recovery in Europe, has resulted in continued uncertainty regarding global economic prospects. In particular, the number of tourists visiting Hong Kong has been decreasing in recent years. There has been a decrease in the revenue generated from the retail sales market and the overall purchase incentive of tourists, especially for luxury products. An actual or anticipated further deterioration of local or global economic conditions may depress the demand for luxury goods that would have a negative impact on the expansion or renovation plans of our clients. If the luxury goods industry experiences a downturn in the future, we will face pressure to reduce fees scale to maintain competitiveness, and our operating results and financial condition may be materially and adversely affected.

RISK FACTORS

Luxury brands may reduce reliance on physical stores

The rent for commercial stores in the major cities worldwide have been increasing over the last decade. The pressure of heightening rental expenses forces luxury brands to adopt certain retrenchment strategy by closing their stores and delaying their expansion plans. Furthermore, electronic commerce has been growing at a rapid pace over the last decade. Luxury goods can now be purchased from third party online retailers or directly from the brands’ online platforms. In light of the foregoing, our clients may reduce their reliance on physical stores or suspend their expansion plans, which may have a material impact on our future financial performance.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior [REDACTED] market for the [REDACTED] and [REDACTED] of the [REDACTED] may be volatile

Prior to the [REDACTED], there is no [REDACTED] market for the Shares. The [REDACTED] of, and the permission to deal with, the [REDACTED] on the [REDACTED] do not guarantee the development of an active [REDACTED] market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for raw materials, the liquidity of the market for the Shares, the general market sentiment could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, [REDACTED] may not be able to sell their [REDACTED] at or above the [REDACTED].

[REDACTED] may experience dilution if our Group issues additional Shares in the future

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

Any disposal by our Controlling Shareholders of a substantial number of Shares in the [REDACTED] market could materially and adversely affect the market price of the Shares

Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the [REDACTED] and up to 36 months after the [REDACTED]. Such undertaking is voluntary in nature. Please see the section headed “Underwriting — [REDACTED] — Undertakings” for details. After these restrictions lapse, there is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the

RISK FACTORS

[REDACTED]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

[REDACTED] may experience difficulties in enforcing their shareholders’ rights because our Company was incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where [REDACTED] may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities Shareholders is set out in Appendix IV to this document.

Future issues, offers or sale of Shares may adversely affect the prevailing [REDACTED] of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing [REDACTED] of the Shares. We cannot give any assurance that such event will not occur in the future.

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, information, statistics, and data presented in the section headed “Industry Overview” in this document and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications, industry-related sources prepared by government officials or independent third parties and a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

RISK FACTORS

Our Group’s future results could differ materially from those expressed in or implied by the forward-looking statements

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this document.

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

Prior to the publication of this document, there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasize to potential [REDACTED] that neither we nor any of the Sole Sponsor, [REDACTED], [REDACTED], our Directors, officers, employees, advisors, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorized the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorized by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective [REDACTED] should not rely on any such information in making your decision as to whether to subscribe the [REDACTED]. You should rely only on the information contained in this document and the [REDACTED].

**WAIVERS FROM STRICT COMPLIANCE WITH THE [REDACTED] AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the [REDACTED], our Company has sought the following waiver from strict compliance with the relevant provisions of the [REDACTED].

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which constitute continuing connected transactions for us under the [REDACTED], one of which is a non-exempt continuing connected transaction for the purposes of the [REDACTED]. Pursuant to Rule 14A.105 of the [REDACTED], we have applied for, and the [REDACTED] has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.35, Rule 14A.49 and Rules 14A.36 to 14A.45 of the [REDACTED] for such non-exempt continuing connected transaction. Please see the section headed "Connected Transactions" in this document for further details.

**WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE [REDACTED] AND
EXEMPTION FROM PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE
COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

The Accountants' Report set out in Appendix I to this document includes audited financial information for our Group for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016.

Rule 4.04(1) of the [REDACTED] requires a [REDACTED] to include in the document the consolidated results of the [REDACTED] group in respect of each of the three financial years immediately preceding the issue of the document or such shorter period as may be acceptable to the [REDACTED].

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, it shall not be lawful for any person to issue, circulate or distribute in Hong Kong any document [REDACTED] or [REDACTED] in a company incorporated outside Hong Kong unless, among other things, the document states the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires us to include in this document a statement as to, among others, our gross trading income or sales turnover (as may be appropriate) during each of the three financial year immediately preceding the issue of this document, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires us to include in this document a report by our auditors with respect to, among others, the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this document.

**WAIVERS FROM STRICT COMPLIANCE WITH THE [REDACTED] AND
EXEMPTIONS FROM COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the [REDACTED] and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

We have applied for, and the [REDACTED] has granted, a waiver from strict compliance with Rule 4.04(1) of the [REDACTED] subject to the following conditions:

- (a) our Company must list on the [REDACTED] on or before September 30, 2016;
- (b) we have obtained a certificate of exemption from the SFC on strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "**Ordinance Requirements**");
- (c) a profit estimate for the year ended June 30, 2016 (which must comply with Rules 11.17 to 11.19 of the [REDACTED]) is included in the document; and
- (d) a Directors' statement is included in the document that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

We have also applied for, and the SFC has granted us, a certificate of exemption from strict compliance with the Ordinance Requirements. Strict compliance with the Ordinance Requirements would be unduly burdensome for us as there would not be sufficient time for us to prepare the full year financial statements for the year ended June 30, 2016 and for our Reporting Accountants to complete the audit thereon prior to the issue of this document.

We have also included (i) the unaudited pro forma financial information; and (ii) a profit estimate (which complies with Rules 11.17 to 11.19 of the [REDACTED]) for the financial year ended June 30, 2016 in Appendix II and Appendix III, respectively to the document.

Our Directors confirmed that all information necessary for the [REDACTED] to make an informed assessment of our activities, assets and liabilities, financial position, management and prospects has been included in this document and that, as such, the waiver granted by the [REDACTED] and the exemption granted by the SFC from strict compliance with Rule 4.04(1) of the [REDACTED] and the Ordinance Requirements, respectively, will not prejudice the interests of the [REDACTED]. Our Directors and the Sole Sponsor confirmed that after performing all due diligence work, up to the date of this document, there has been no material adverse change in our financial position or prospects since April 30, 2016 and there is no event since April 30, 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document. We will comply with Rules 13.46(2) and 13.49(1) of the [REDACTED] in respect of the publication of annual results and annual report for the year ended June 30, 2016.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Lee Wai Sang (李偉生)	3/F Repulse Bay Garden No. 28 Belleview Drive Hong Kong	Chinese
Mr. Lau King Lok (劉敬樂)	Flat 8D Block 13 City Garden North Point Hong Kong	Chinese
Mr. Leung Pak Yin (梁伯然)	Flat 10H Block 3 Chi Fu Fa Yuen Pokfulam Hong Kong	Chinese
Mr. Lai Hon Lam Carman (賴漢林)	1/F Block 28 Full Comfort Villa 428 Yuen Kong Pat Heung Yuen Long Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. So Chi Hang (蘇智恒)	Flat 5G, Block 2 Willow Mansion Whampoa Garden Hung Hom Hong Kong	Chinese
Mr. Lau Lap Yan John (劉立人)	Room K, 8/F, Evelyn Towers, 38 Cloudview Road Hong Kong	Chinese
Mr. Heng Ching Kuen Franklin (幸正權)	Flat B33, 15/F Repulse Bay Apartments 101 Repulse Bay Road Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

[REDACTED]

Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway
Hong Kong

[REDACTED]

Kingsway Financial Services Group Limited
7/F, Tower One, Lippo Centre,
89 Queensway
Hong Kong

Koala Securities Limited
Room 803, 8th Floor
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to Cayman Islands law:
Appleby
2206-19, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:
Beijing Jingtian & Gongcheng Law Firm
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing 100025
China

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Macau law:

MdME

Avenida da Praia Grande
409, China Law Building
21/F and 23/F A–B
Macau

As to International Sanctions law:

Hogan Lovells

11th Floor, One Pacific Place
88 Queensway
Hong Kong

**Legal advisors to the Sole Sponsor and
the [REDACTED]**

As to Hong Kong law:

Nixon Peabody CWL

50/F Bank of China Tower
1 Garden Road, Central
Hong Kong

Reporting accountant

BDO Limited

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

Internal Control Consultant

Richard Poon & Partners Risk Management Limited

Room 1409
Harbour Centre
25 Harbour Rd., Wanchai, Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarter	Room 1505 625 King's Road North Point Hong Kong
Principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)	Room 1505 625 King's Road North Point Hong Kong
Company secretary	Mr. Lau King Lok (<i>ICAEW, TIHK, HKICPA</i>) Flat 8D Block 13 City Garden North Point Hong Kong
Authorized representatives (for the purpose of the [REDACTED])	Mr. Lee Wai Sang 3/F Repulse Bay Garden No. 28 Bellevue Drive Hong Kong Mr. Lau King Lok Flat 8D Block 13 City Garden North Point Hong Kong
Audit committee	Mr. So Chi Hang (<i>Chairman</i>) Mr. Lau Lap Yan John Mr. Heng Ching Kuen Franklin
Remuneration committee	Mr. So Chi Hang (<i>Chairman</i>) Mr. Lee Wai Sang Mr. Heng Ching Kuen Franklin
Nomination committee	Mr. Lee Wai Sang (<i>Chairman</i>) Mr. So Chi Hang Mr. Heng Ching Kuen Franklin

CORPORATE INFORMATION

Risk management committee

Mr. Heng Ching Kuen Franklin (*Chairman*)
Mr. So Chi Hang
Mr. Lau King Lok

Compliance advisor

Kingsway Capital Limited

[REDACTED]

Principal banker

HSBC
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

Hang Seng Bank
83 Des Voeux Road Central
Central
Hong Kong

Company's website address

www.crosstec.com.hk (*the information contained in this website does not form part of this document*)

INDUSTRY OVERVIEW

Certain information and statistics in this section and elsewhere in this document relating to retail, interior design market and overall Hong Kong economy are derived from various official and independent third party sources and have been prepared on the basis of information made public by governmental entities and the commissioned research report from Frost & Sullivan. The information presented in this section and elsewhere in this document from these and other sources represents the most recent information that is currently available from those sources. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The Company, the Sponsors, the [REDACTED], their respective directors, employees, agents, representatives, affiliates and advisors and all other parties involved in the [REDACTED] have not independently verified, and make no representation as to, the accuracy of the information from official or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official and other third party sources contained or referred to herein may not be accurate and should not be unduly relied on.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to provide industry information on interior design industry. We have agreed to pay a fee of RMB500,000 for the report, which will be fully paid prior to the [REDACTED]. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research involving telephone and face-to-face interviews with industry participants. Also secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that (i) the social, economic and political environment is expected to remain stable and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2016 to 2020.

ABOUT FROST & SULLIVAN

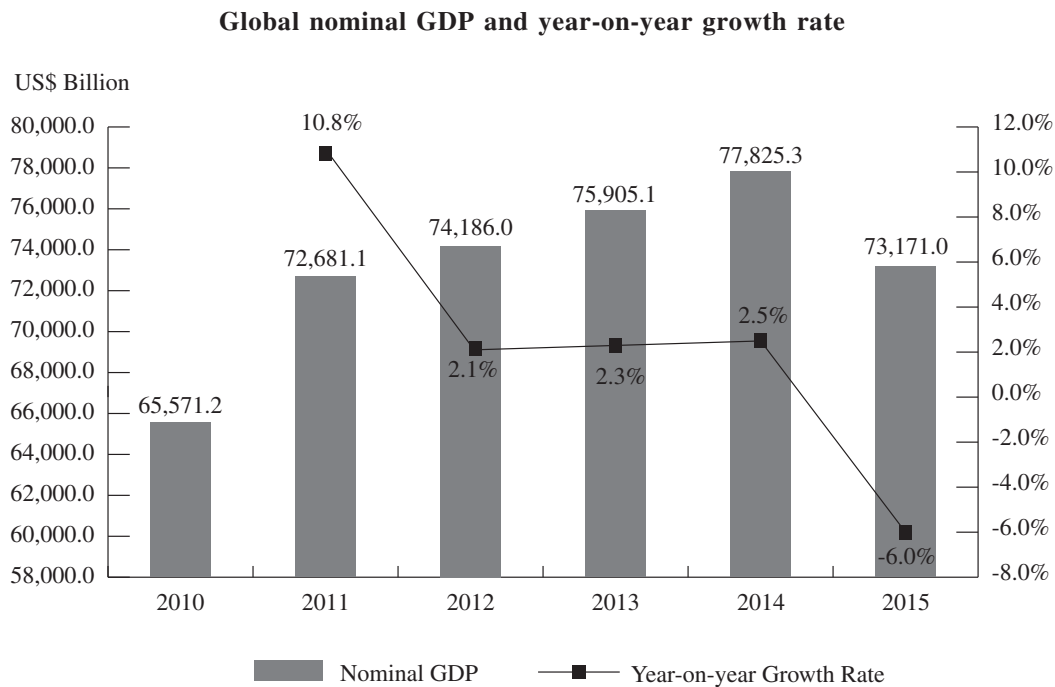
Frost & Sullivan is a global consulting company founded in 1961 with more than 1,800 industry consultants and analysts based in 40 global offices. Its professional services cover technology research, market research, mega trends, economic research, best practices, training, customer research, competitive intelligence, and corporate strategy.

INDUSTRY OVERVIEW

MACROECONOMIC ENVIRONMENT

Since the financial crisis which took place in late 2008, global economy has been in a period of adjustment and recovery. Despite the European debt crisis and slowdown of growth in emerging markets, driven by the recovery of the United States economy and continuous growth of the PRC, global nominal GDP has seen a CAGR of 2.2% from 2010 to 2015, arriving at US\$73,171.0 billion in 2015. In 2015, the global nominal GDP dropped by 6.0% compared to 2014, which was mainly attributable to the slowdown of economic growth of developed countries and regional political instability. Future growth is still expected to be driven by the United States and the PRC economies for a foreseeable period.

The chart below sets forth the global nominal GDP and year-on-year GDP growth rate from 2010 to 2015:



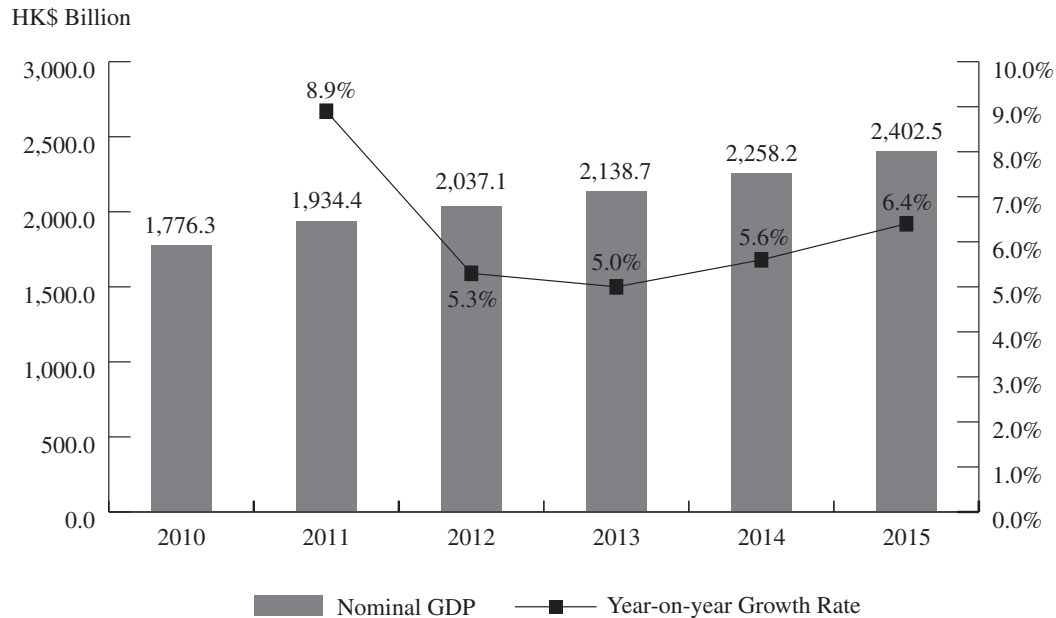
Source: International Monetary Fund

Hong Kong has shown a steady economic growth in the past few years, with the nominal GDP having increased from HK\$1,776.3 billion in 2010 to HK\$2,402.5 billion in 2015, which represented a CAGR of 6.2%. In the near future, Hong Kong’s economy is expected to maintain its stable growth driven by the remarkable potential of domestic demand and transit-trade export with mainland China.

INDUSTRY OVERVIEW

The chart below sets forth the GDP and year-on-year GDP growth rate in Hong Kong from 2010 to 2015:

Hong Kong’s nominal GDP and year-on-year growth rate



Source: Census and Statistics Department Hong Kong Special Administration Region

RETAIL MARKET

Overview

Retail is the process of selling consumer goods and services to customers through channels of distribution. Within the retail market, the luxury goods and high-end fashion segment represents a group of high value, prestigious and exclusive consumer products which include jewelry, timepieces, leather goods, high-end apparel and accessories, retailed by global luxury brands, such as Graff Diamonds, Cartier, Rolex, Louis Vuitton, Chanel, Hermès, etc..

Global retail market

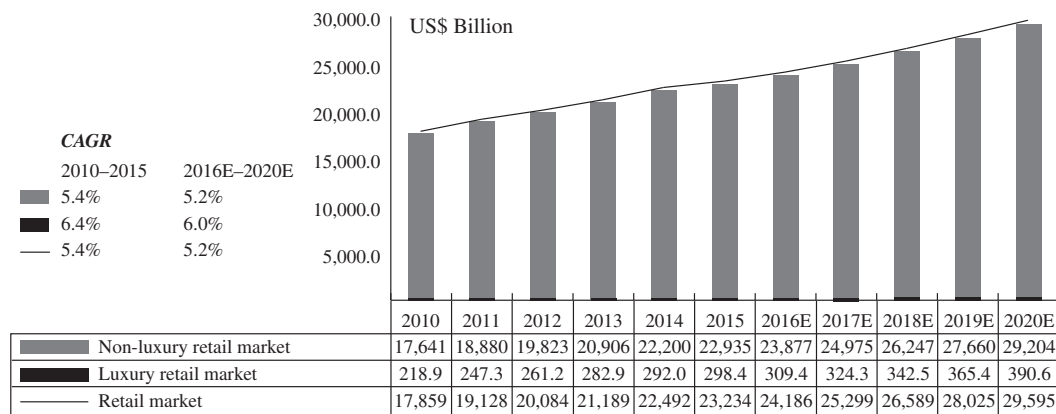
Global retail market has experienced a healthy growth and future incremental growth is estimated to remain stable. This is mainly attributable to the steady growth in global macro-economy, with the developed countries continuing to drive retail consumption while the developing countries heighten their consumption demand. Global retail market size achieved US\$23,234.2 billion in 2015, growing at a CAGR of 5.4% from 2010 to 2015, and is expected to realize a 5.2% CAGR from 2016 to 2020, representing a market size of US\$29,594.9 billion.

Global retail sales of luxury goods and high-end fashion in the retail market reached US\$298.4 billion in 2015, which increased at a CAGR of 6.4% over the past five year since 2010, and is expected to maintain growth with a CAGR of 6.0% from 2016 to reach US\$390.6 billion in 2020.

INDUSTRY OVERVIEW

The chart below sets forth the global retail market size by segment from 2010 to 2020:

Global retail market size by segment, 2010–2020E



Source: Frost & Sullivan

Hong Kong market

Hong Kong is one of the best performing retail markets in the world. With only 0.1% of the global population, Hong Kong’s retail market contributed to approximately 0.3% of the global retail market size in 2015. Given its international image, Hong Kong attracted 59.3 million visitors from overseas in 2015, which contributed to its remarkable retail sales performance. Benefiting from the continuous economic development in mainland China, tourists from mainland China have shown a strong demand for consumer goods, leading to a significant growth in retail market in Hong Kong. Visitor arrivals from mainland China have been increasing at a CAGR of 15.1% from 2010 to 2015, and reached 45.8 million in 2015, accounted for 77.2% of total visitors to Hong Kong. In addition, sales from retail market contributed to approximately 19.8% of the GDP of Hong Kong in 2015 and 18.3% in 2010. Retail market will still be underpinning Hong Kong’s economy to a great extent.

Hong Kong retail market has been growing vigorously over the past few years, with over 10% year-on-year growth in total retail sales since 2010. It reached a market size of HK\$475.2 billion in 2015, representing a CAGR of 7.9% from 2010 to 2015. This is propelled mainly by continuous visitor influx from mainland China. Along with the global economic downturn and declining number of visitor’s arrival from mainland China, Hong Kong demonstrated a retail sales slowdown since 2014. According to the statistics from Hong Kong Tourism Board, the number of tourist arrivals from mainland China showed a negative growth of 3.0% in 2015, with a decrease in 1.4 million visitors, resulting a negative growth of 3.6% in retail market size by revenue compared to 2014. However, as various recovery initiatives on tourism and retail have been put in place, Hong Kong retail market has a prospect of recovery in the near future. It is estimated that the retail market will reach HK\$544.2 billion in 2020, growing at a CAGR of 3.4% from 2016 to 2020.

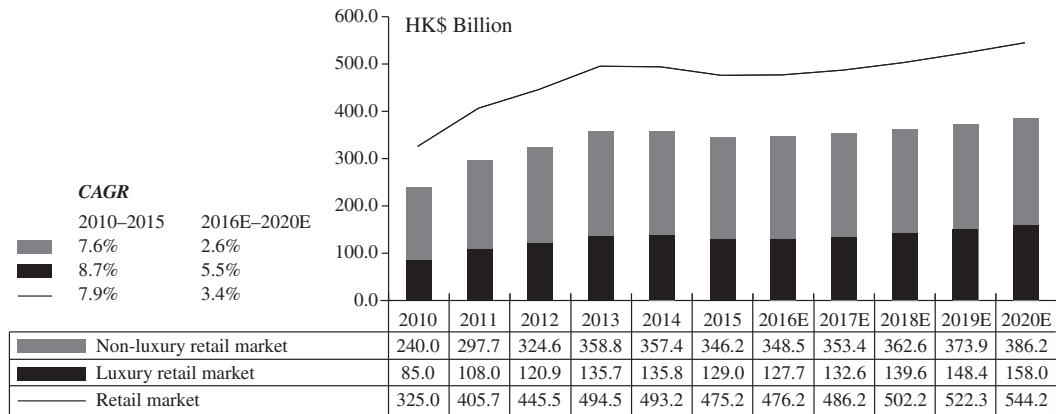
The luxury goods and high-end fashion retail segment in Hong Kong accounted for 5.6% of the global sales revenue in 2015, far higher than that in terms of overall retail sales. This indicated that Hong Kong is better known for its retail sales performance of global luxury goods and high-end fashion. It reached a sales revenue of HK\$129.0 billion in 2015, growing at a CAGR of 8.7% over the period

INDUSTRY OVERVIEW

from 2010 to 2015. This segment contributed to 27.1% of total revenue generated from the retail market in Hong Kong. In the future, this segment is expected to continue its growth at a higher rate compared to the overall retail market and will contribute to 29.0% of the total retail market revenue by 2020.

The chart below sets forth the Hong Kong retail market size by segment from 2010 to 2020:

Hong Kong retail market size by segment, 2010–2020E

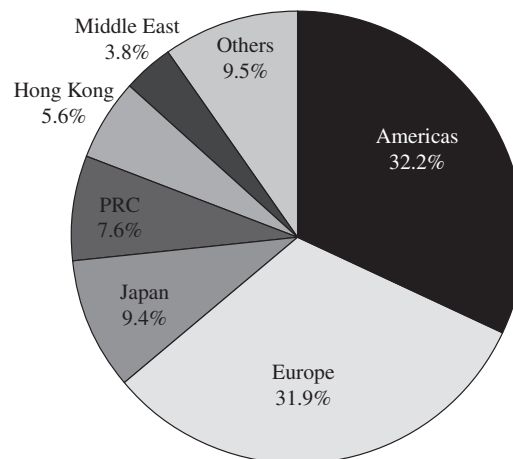


Source: Census and Statistics Department Hong Kong Special Administration Region, Frost & Sullivan

Globally, the market share of this segment was dominated by Americas and Europe, which took a combined share of 64.1% in 2015, followed by Japan, PRC, Hong Kong and the Middle East, which contributed an aggregate of 90.5% market share by revenue.

The chart below sets forth the global luxury goods and high-end fashion for retail by region in 2015:

Global share of global luxury goods and high-end fashion by region, in 2015



Source: Frost & Sullivan

INDUSTRY OVERVIEW

INTERIOR DESIGN FOR RETAIL OF GLOBAL LUXURY GOODS AND HIGH-END FASHION BRANDS

Overview

Interior design refers to the service of providing design solutions which mainly include design and management, construction and management (such as facade development and fabrication, fit-out construction) and decorative materials provision (such as millwork and furniture). It encompasses a wide range of sub-specialties in the areas of, for instance, residential, commercial (including retail and office buildings), industrial and infrastructural facilities. Luxury retail interior design refers to the design and decoration services for the physical retail stores of luxury goods and high-end fashion brands, such as Graff Diamonds, Cartier, Rolex, Louis Vuitton, Chanel, Hermès, etc. The size of this segment is defined by breaking down the revenue of interior design companies into the part of service catered to luxury goods and high-end fashion brands only.

Interior design for retail sector can be divided into two segments as follows:

Category	Features	Examples
Interior design for retail stores of global luxury goods and high-end fashion brands	Emphasize on the creation of an overall high-class, unique and personal shopping experience. Stores usually have wide display and fitting space	<ul style="list-style-type: none">● Luxury jewelry stores● Luxury timepieces stores● Luxury leather goods stores● Luxury apparel and accessories stores
Interior design for stores of other retail goods	Emphasize on the utilization of space and attracting the targeted consumer group. Stores usually have limited display and fitting space	<ul style="list-style-type: none">● Lower-priced or mainstream clothing and apparel stores

Market Size

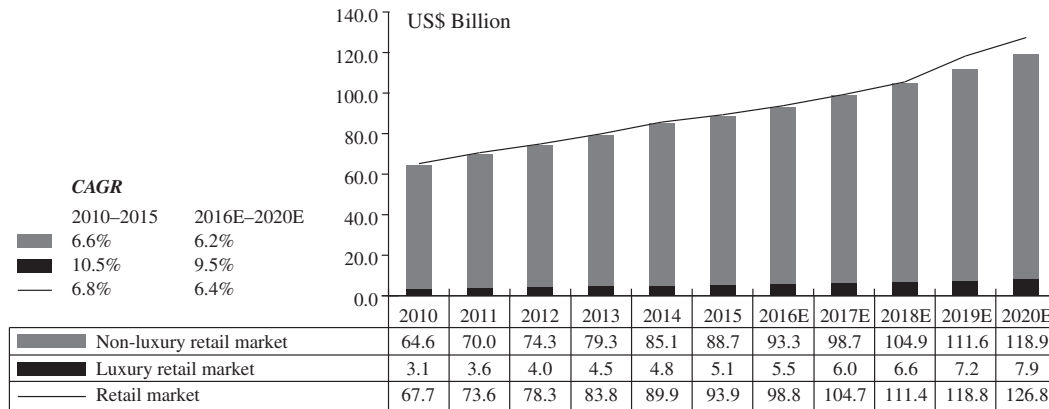
Global market

With the stable growth of global retail market, interior design serving this market has been growing at a CAGR of 6.8% from 2010 to 2015 reaching US\$93.9 billion in 2015. This market is expected to maintain its stable growth and will reach US\$126.8 billion in 2020. The segment of interior design targetting the global luxury goods and high-end fashion brands had a share of 5.4% in the overall interior design industry in 2015, with a total revenue of US\$5.1 billion. It is expected that the growth of this segment will continue through to 2020.

INDUSTRY OVERVIEW

The chart below sets forth the interior design for global retail market by segment from 2010 to 2020:

Interior design for global retail market by segment, 2010–2020E



Source: Frost & Sullivan

Hong Kong market

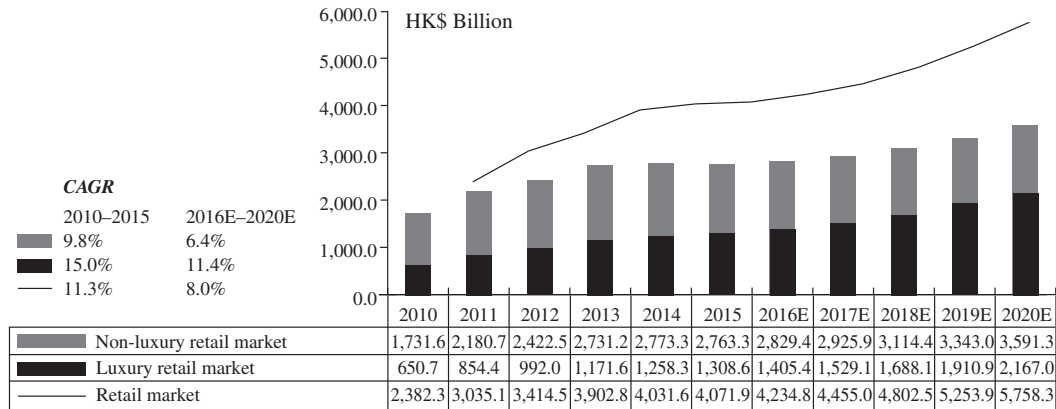
Attributed to the prosperous growth of the retail market, interior design for the overall retail market in Hong Kong reached HK\$4,071.9 million in 2015, increasing at a CAGR of 11.3% over the period from 2010 to 2015. Affected by the slowdown of retail market in 2014 and 2015, the interior design for retail market in Hong Kong is expected to be negatively impacted over the same period, but will maintain stable growth after 2015. The future CAGR from 2016 to 2020 is expected to reach 8.0%.

The interior design segment tailored to the global luxury goods and high-end fashion contributed to 32.1% of the interior design industry in 2015 and reached a market size of HK\$1,308.6 million, growing at a CAGR of 15.0% from 2010 to 2015. In the future, this segment is expected to follow the trend of the corresponding segment in the retail market, undergoing a short recovery period in 2015 and then embracing a stable future growth at a CAGR of 11.4% over the period from 2016 to 2020.

INDUSTRY OVERVIEW

The chart below sets forth the interior design for Hong Kong retail market by segment from 2010 to 2020:

Interior design for Hong Kong retail market by segment, 2010–2020E

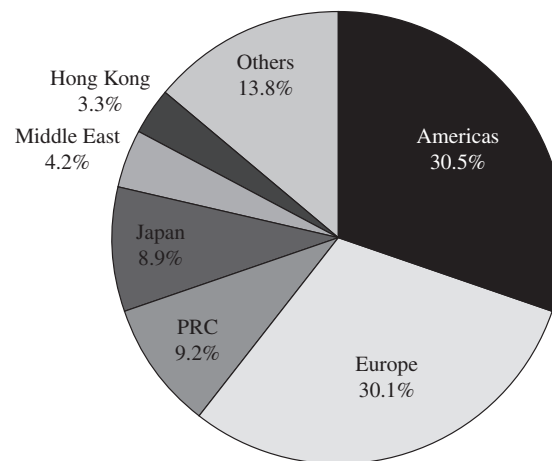


Source: Frost & Sullivan

This segment in Hong Kong accounted for 3.3% of the global sales revenue in 2015. Dominated by the Americas and Europe, with an aggregate of 60.6% market share, this market showed a consolidated landscape. Other leading territories include PRC, Japan and the Middle East.

The chart below sets forth the interior design segment targeting the global luxury goods and high-end fashion brands by region in 2015:

Interior design segment targeting the global luxury goods and high-end fashion market by region, 2015



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Growth drivers and market trends

The growth drivers of the interior design segment for the luxury goods and high-end fashion market in Hong Kong are as follows:

Economic recovery and rising purchasing power. Given the export-oriented economy, international image and duty-free advantages in Hong Kong, visitors influx including businessmen and tourists are still regarded as the main consumers of prestigious fashion and luxury goods. Despite the economic slowdown in 2014 and 2015, the global economy is expected to show a recovering trend based on various initiatives. National economic development in mainland China would drive this market, not only in Hong Kong, but also overseas markets with outbound tourists with a high demand for luxury goods and high-end fashion. This presents huge market opportunities for interior design companies engaged in providing service in this segment.

Pursuit of premium shopping experience. Consumption upgrade represented a growing preference in pursuing better retail products and customer service, practically in the market with increasing consumer expenditure power. This premium shopping experience is delivered through a combination of pleasant shopping environment and customer service. In order to create a superb shopping experience, global luxury goods and high-end fashion brands put a strong emphasis on the quality of the interior design of their stores. This in turn drives the demand of high quality interior design services.

International presence of luxury brands. Luxury brands launch their stores globally at locations which attract affluent clientele and with lower risks of economic downturn or lack of expenditure incentives. Currently, Hong Kong is undergoing sluggish retail sales due to falling consumer demand from mainland China. In response, luxury brands will relocate their stores to areas within Hong Kong where they can have comparative advantages. Regardless of market sentiment, interior design companies will be engaged in the opening of new stores as well as relocation and reinstatement work of their existing stores. Thus, interior design companies are not usually affected by economic downturn as a whole.

New business strategies of luxury brands. Luxury goods brands are in the process of reinventing their business strategies to reduce the impact from global economic downturn. For instance, in mainland China, Chanel took the lead in lowering the retail sales price of its products, and later some other luxury goods brands followed suit. Louis Vuitton refurbished its storefront to launch cafe parlor adjacent to its retail store as an attempt to extend their customers' time spent at its store. This brings about opportunities for refurbishment for interior design companies which focus on this segment.

Potential for greater growth. Given that global luxury goods brands place a strong emphasis in the Hong Kong market, interior design companies which focus on this segment have the potential to gain greater growth. In order to refresh the brand's seasonal image, high-end luxury stores usually revamp the interior designs of their retail boutiques every two to six months or relocate their stores to different regions in order to capture sales opportunities from different groups of affluent clientele. Furthermore, these stores also undergo regular renovation as brand concept changes every two to three years, which leads to stable refurbishment projects in interior design.

INDUSTRY OVERVIEW

The key trends observed in the high-end interior design market in Hong Kong are as follows:

Value chain integration. Instead of providing conventional interior design service, current interior design companies are evolving to provide integrated service including millwork and furniture provision, fit-out construction, facade decoration and refurbishment. They are growing to become one-stop interior design solutions providers.

Business diversification. Due to keen competition within the segment, some interior design companies targeting the luxury goods and high-end fashion brands have branched out to new client types, such as office building and high-end residential construction.

Increased emphasis in research and development. Interior companies have been investing resources in research and development and recruiting talents to work with their clients closely for conceptual realization and to formulate proposal on new store layouts. This has become one of the key trends that companies engaged to succeed in the competition.

The growth drivers of the interior design segment for the luxury goods and high-end fashion market overseas are as follows:

Market focus shifted back to developed countries. The key driver for future luxury retail industry tends to be shifting from the developing countries to the developed markets. Benefited from the healthy financial markets, enlarged population and technological advancement, developed countries, especially the United States and Canada, are expected to generate considerable growth in individual wealth, which enhances consumers' purchasing power for premium products and attracts premium retail stores back to the developed countries. As a result, there will be more demand for interior design services for luxury goods and high-end fashion brands emerging in developed countries.

Increased number of luxury retail stores at airports. There has been an increasing amount of business generated from premium retail stores located at the airport worldwide. In response, it is expected that the number of airport luxury retail stores will increase in the future. This in turn will create new opportunities for the interior design service providers which focus on the luxury goods and high-end fashion brands.

Growth in demand of luxury goods the United Kingdom. United Kingdom's recent detachment from the European Union has resulted the sharp decline of the exchange rate of pound sterling. It is foreseen that overseas consumers of luxury goods may opt to make their purchases in the United Kingdom. Furthermore, the British luxury brands, such as Burberry, are anticipated to embrace a positive surge in sales in the near future, which is also reflected in their recent increase in stock price. Consequently, we might see more demand for the opening of luxury brand retail stores in the United Kingdom.

Higher demand for contemporary luxury goods brands. The millennials (current age from 18 to 36) create increasing demand for luxury goods, with a particular focus on items which can highlight their personal style and individuality. As a result, more contemporary luxury goods brands are on the rise to satisfy the millennials' new appetites for high-end goods, which in turn will create more opportunities of new retail stores establishment of these brands.

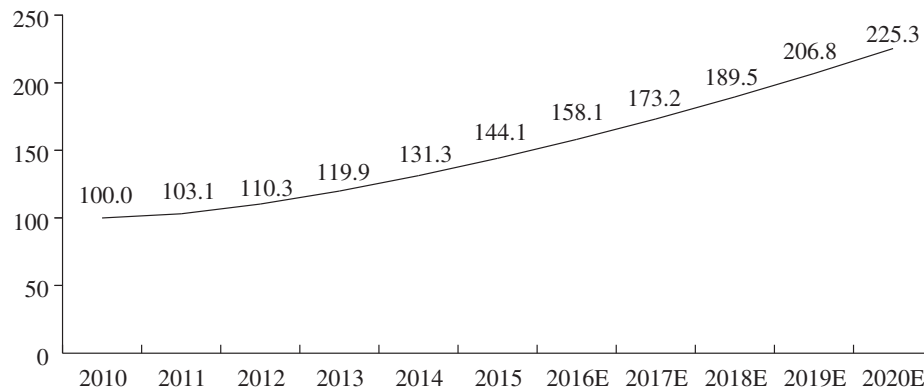
INDUSTRY OVERVIEW

COST FACTORS

It is observed that the average wage of workers in the interior design segment targeting the luxury goods and high-end fashion brands has been on an upward trend, which is mainly attributed to the labor shortage in this segment, while the demand has been increasing robustly. It is estimated that this trend would continue. However, given that interior design companies have been making effort in providing better services to their clients, labor cost is reflected in their overall service fees and would not constitute a major constraint.

The chart below sets forth the price index of average wage of workers in the interior design market for retail of prestigious fashion and luxury goods in Hong Kong from 2010 to 2020:

Average wage of workers in the interior design segment targeting the global luxury and high-end fashion brands in Hong Kong, 2010–2020E



Source: Census and Statistics Department of Hong Kong Special Administration Region, Frost & Sullivan

Competitive Landscape of the Interior Design Market

Global Market

Market Overview

The global interior design market for the luxury goods and high-end fashion brands is highly fragmented, and there are approximately over 30,000 companies competing globally in this industry. In order to maintain the premium brand image, luxury goods and high-end fashion brands usually engage reputational interior designers to provide design concept of their retail stores. Moreover, these brands tend to apply innovative material and design concept in their stores' decoration to establish unique shopping atmosphere. Consequently, the competition lies on the designers' reputation and design capability, as well as gaining long-term business relationship with the brand's owner or direct communication with the headquarters' level. Leading companies are usually good at leveraging on these factors to provide a global-wide design solutions and services for the brand's retail stores in different regions.

North America and West Europe market are well developed, where the market concentration is relatively high and interior design companies in this industry are mainly fledged and early founded. The Middle East market has become robust in recent years and local interior design companies have been

INDUSTRY OVERVIEW

emerging. Africa saw an emerging interior design market for retail of luxury goods and high-end fashion brands, which is also considered as one of the most promising markets in the future. Competition in the African market is foreseen to become fierce in the next decade. Asia-Pacific market saw a complicated landscape, where some developed regions like Hong Kong, Japan and Singapore have represented high market maturity, while some regions like mainland China and India are still growing. However, the concentration in the Asia-Pacific region is still far lower than that in North America and Western Europe.

Key Market Players

The following companies are the key players in the global interior design market for the luxury goods and high-end fashion brands:

Company Name	Headquarters Location	Market Coverage
Peter Marino Architect	U.S.	North America, Europe, Asia
Baciocchi Associati	Italy	North America, Europe, Middle East, Asia
RDAI Architecture	France	North America, Europe, Asia
Permasteelisa Group	Italy	North America, Europe, Asia
Molteni & Co.	Italy	North America, Europe, Asia
Bussola & Ralph	Italy	North America, Europe, Asia
Decca Holdings Limited	Hong Kong	North America, Europe, Middle East, Asia
Kingsmen Design Pte Ltd	Singapore	North America, Europe, Middle East, Asia
Legend Interiors Limited	Hong Kong	North America, Europe, Asia
CROSSTEC Group Holdings Limited	Hong Kong	North America, Europe, Asia
Redwood Interior Pte Ltd	Singapore	North America, Europe, Asia
In Situ & Partners Ltd	Hong Kong	Europe, Middle East, Asia

Source: Frost & Sullivan

INDUSTRY OVERVIEW

European Market

Market Overview

The European interior design market for the luxury goods and high-end fashion brands showed a relatively higher market concentration compared to the global market as a whole. The world leading luxury goods and high-end fashion conglomerates such as LVMH, Richemont and Kering are all originated and headquartered in Europe. Their retail stores, especially their flagship stores in Europe, are paramount to their brands' image. Consequently, they are more willing to splurge on engaging reputable designers to take charge of their interior design projects for their retail stores, which set a particularly high barrier for other less well-known interior design companies.

Key Market Players

The following companies are the key players in the European interior design market for the luxury goods and high-end fashion brands:

Company Name	Headquarters Location	Market Coverage
Baciocchi Associati	Italy	North America, Europe, Middle East, Asia
RDAI Architecture	France	North America, Europe, Asia
Permasteelisa Group	Italy	North America, Europe, Asia
Molteni & Co.	Italy	North America, Europe, Asia
Bussola & Ralph	Italy	North America, Europe, Asia

Source: Frost & Sullivan

U.K. Market

Market Overview

The U.K. interior design market for the luxury goods and high-end fashion brands is a well-developed market and the competition in the U.K. used to be moderate. However, since the U.K.'s departure from the Europe Union, it led to a sharp slump of pound sterling. Therefore, it is expected that large number of luxury goods consumers from overseas will visit the U.K. for their high-end luxury goods purchases. Increasing demand for new retail stores and renovation projects is foreseeable and the competition in U.K. market is foreseen to become fierce in near future.

INDUSTRY OVERVIEW

Key Market Players

The following companies are the key players in the U.K. interior design market for the luxury goods and high-end fashion brands:

Company Name	Headquarters Location	Market Coverage
David Chipperfield Architects	U.K.	North America, Europe
Shopworks	U.K.	North America, Europe, Asia
Brinkworth	U.K.	North America, Europe

Source: Frost & Sullivan

U.S. Market

Market Overview

The U.S. market is also well developed to its advanced economy and the consumers' strong purchasing power. This led to a relatively higher market concentration among the global markets (only lower than Europe). In recent years, the trend of high-end interior design in the U.S. market has become more technology-focused. Many luxury brands, such as Givenchy and Hermès, have upgraded their retail stores to incorporate digital and high-technology elements.

Key Market Players

The following companies are the key players in the U.S. interior design market for the luxury goods and high-end fashion brands:

Company Name	Headquarters Location	Market Coverage
Peter Marino Architect	U.S.	North America, Europe, Asia
Spacesmith	U.S.	America, Europe, Asia
Micheal Neumann Architecture	U.S.	America, Europe

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Hong Kong Market

Overview

The interior design segment targeting the luxury goods and high-end fashion market in Hong Kong and globally are highly fragmented. There are over 350 design companies in Hong Kong targeting this segment, most of which are small-scale. The competition among companies in this industry focuses on business relationship and design capability. The companies capable of providing total design solutions with particular focus on luxury goods and high-end fashion brands are scarce, because usually the clients in this segment have much higher requirements on conceptual image and the capabilities to realize the ideas. Companies engaged in this area usually have extensive project experience. Overseas project experience contributes to their competitive advantages against peers.

The top five Hong Kong-based interior design companies contributed to no more than 1.0% in aggregate in the interior design segment targeting the luxury goods and high-end fashion brands globally in 2015, as illustrated in the table below:

Company	Market Share, 2015⁽¹⁾	Business description
CROSSTEC Group Holdings Limited	0.29%	a Hong Kong-based company with main business in interior design solutions for global luxury goods and high-end fashion brands
Decca Holdings Limited	0.18%	a Hong Kong-based company with main business in interior design service for retail, hotels and office buildings
Legend Interiors Limited	0.10%	a Hong Kong-based company with main business in interior design service for office buildings, hotels, residence and retail
In Situ & Partners Ltd	0.07%	a Hong Kong-based company with main business in design service for commercial and residential facade construction work
East Joint Designs Limited	0.05%	a Hong Kong-based company with main business in interior design service for global prestigious luxury brands

Note:

1. The market shares of Hong Kong-based companies globally are calculated based on the revenue derived from the Hong Kong-based companies' luxury retail interior design services in the world, divided by the total revenue of the interior design for global luxury retail market and multiplied by 100%.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

The top five interior design companies (Hong Kong-based and non-Hong Kong-based) had a combined market share of 16.3% in the interior design segment targeting the luxury goods and high-end fashion in Hong Kong in 2015, as illustrated in the table below:

Company	Market Share, 2015 ⁽¹⁾	Business description
Decca Holdings Limited	5.3%	a Hong Kong-based company with main business in interior design service for retail, hotels and office buildings
Kingsmen Design Pte Ltd	3.3%	a Singapore-based company with main business in retail, office buildings, exhibitions and museums
Legend Interiors Limited	3.1%	a Hong Kong-based company with main business in interior design service for office buildings, hotels, residence and retail
CROSSTEC Group Holdings Limited	2.3%	a Hong Kong-based company with main business in interior design solutions for global prestigious luxury brands
Redwood Interior Pte Ltd	2.2%	a Singapore-based company with main business in provision of decorative materials and design service for residential and commercial properties, including retail

Note:

1. The market shares of companies in Hong Kong are calculated by the revenue derived from the companies' luxury retail interior design services in Hong Kong, divided by the total revenue of the luxury retail interior design market in Hong Kong and multiplied by 100%.

Source: Frost & Sullivan

The overall interior design market in the world and in Hong Kong is highly fragmented with a large number of interior design companies. Most of them are small to medium scale interior design companies, which may provide a limited scope of design or construction services to residential buildings, office buildings, general retail stores, industrial and infrastructural facilities. In 2015, the market share of Hong Kong and non-Hong Kong based interior design companies in the global interior design market was approximately 0.2% and 99.8% respectively. Our Group's market share in the overall interior design industry in the world and in Hong Kong in 2015 was approximately 0.003% and 0.22% respectively.

INDUSTRY OVERVIEW

Entry Barriers

Barriers to enter interior design market with total design solution for luxury retail market are high. Design capability, industry experience, business relationship and reputation comprise the main barriers for new market entrants. Furthermore, the ability to manage cross-region project is also an important factor.

In general, entry barriers to the European, U.K., U.S. and Hong Kong high-end interior design markets include:

Extensive design and research and development capabilities. Extensive design and research and development capabilities enable an interior design company to realize conceptual and complicated design ideas and utilize materials in creative ways, which are usually the requirements from the high-end clients. Interior design companies that are capable of providing integrated services like millwork and furnishing provision, fitting-out and facade decoration can have better control and coordination over the process, which is essential to accomplish good design and ensure timely project completion. For the U.S. market, in addition to services like millwork and furnishing, fitting-out and facade decoration, digital technology is becoming widely applied in the U.S. market.

High quality of service and products. Luxury brands place emphasis on the quality of their store's overall design. They also highly value interior designs that can enhance energy-conservation and construction materials that are environment-friendly. As such, these luxury brands go through stringent selection process in choosing their interior designers as well as providers of their facades and furniture to ensure high quality of service and products, and only those that can meet their requirements will be engaged.

Rich industry experience. Potential clients, and in particular, luxury brands, tend to approach interior design companies that have rich portfolio and experience in this industry. Extensive industry experience can also ensure adequate and efficient project management and coordination between various parties.

Business relationship and reputation. Strong client relationship is a must to ensure stable project sources. For instance, gaining long-term relationship with the brand's owner or direct communication with the headquarters' level will largely increase the competitiveness in the market. Besides client relationships, it is crucial to develop good business relationships with other parties involved in the whole process. Landlords of retail properties also tend to recommend interior design companies that have good reputation. Further, most of the interior design companies specialize in certain particular areas such as design, furnishing or facade decoration. Therefore, they might collaborate with their competitors in projects with larger scale. Therefore, good reputation is the key within the industry.

Project management capability. In order to compete in the global market, interior design companies have to take into consideration different factors such as material logistics, human resources and culture differences. As a result, only companies with strong project management capability are able to handle projects in different regions and their expand business to the globally.

Cross-region coverage capability. Given that most of the luxury goods and high-end fashion brands are globally posted, the interior design companies serving these high-end clients normally take on projects which coincide with their clients' global footprint. Efficient communications and extensive industry know-how are key factors in building their cross-region coverage capability.

REGULATORY OVERVIEW

(1) HONG KONG, PRC AND MACAU

This section sets forth a summary of the laws and regulations applicable to our operations in Hong Kong, PRC and Macau.

Hong Kong

Occupational safety and health

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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

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

Employees' compensation

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) establishes a no-fault and non-contributing employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

REGULATORY OVERVIEW

Contractor and sub-contractor

A principal contractor and a superior sub-contractor are subject to the provisions on sub-contractor’s employees’ wages in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. Such liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor and/or superior sub-contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions under the Employment Ordinance (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor. Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware.

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be.

The principal contractor or superior sub-contractor may either (i) claim contribution from every superior sub-contractor to the employee’s employer or from the principal contractor and every other such superior sub-contractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Minor works

The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**Minor Works Regulation**”) is a subsidiary legislation under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”.

Under the Minor Works Regulation, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialization of works in the industry. Class II and Class III minor works, can be carried out by a prescribed registered contractor (“**Registered Contractor**”) without the involvement of a prescribed building professional.

REGULATORY OVERVIEW

Registered Minor Works Contractors may be body corporates, partnerships, sole proprietorship or individuals and have to satisfy the Building Authority that their personnel possess the necessary technical qualifications and work experience before they could be registered under the Buildings Ordinance.

The Building Authority must be notified of the commencement of projects involving Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after the verification of all works involved are "minor works" and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting document and record photos within 14 days after the completion of works.

For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting document and record photos (before and after the completion of works) within 14 days after the completion of works.

The Building Authority will conduct audit checks upon receipt of the above notices to ascertain compliance with the statutory requirements and ensure the quality and standard of such "minor works". Disciplinary and prosecution actions may be taken against cases of non-compliance.

Occupiers liability

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

Air pollution control

The Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odor from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site (which is defined to mean a place where construction work is carried out and area in the immediate vicinity of any such place which is used for the storage of materials or plant used or intended to be used for the purpose of the construction work)

REGULATORY OVERVIEW

shall devise, arrange methods of working and carrying out the works in such a manner so as to minimize dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise control

The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction work. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

Waste disposal

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

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

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a license from the Environmental Protection Department.

REGULATORY OVERVIEW

Competition

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) regulates anti-competitive conduct such as price fixing, market allocation and bid rigging or collusion. The following conducts can be found unlawful:

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

PRC

Incorporation, operation and management of wholly foreign-owned enterprise

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

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

The PRC government directs the investment orientation of all types of enterprises in different industries within the territory of the PRC, manages investment programs, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the Catalog of Industries for Guiding Foreign Investment, (外商投資產業指導目錄) (the “**FI Catalog**”). The Catalog of Industries for Guiding Foreign Investment (2015 Amendment) (外商投資產業指導目錄 (2015年修訂)) was promulgated by the NDRC together with the MOFCOM on March 10, 2015 and became

REGULATORY OVERVIEW

effective on April 10, 2015. The FI Catalog divides industries into three categories: encouraged, restricted and prohibited. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited.

According to the FI Catalog (2015 Amendment), foreign investors are permitted to invest, on a wholly-owned basis, in the wholesale, import and export of furniture, lamps, wood, metal products, electronic products, decoration materials, chemical raw materials (excluding dangerous goods), plastic products and related ancillary business.

Tax

Enterprise income tax

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

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

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

At present, Crosstec (Shenzhen) is subject to EIT rates of 25%.

Value-added tax

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

At present, Crosstec (Shenzhen) is subject to VAT rates of 17%.

REGULATORY OVERVIEW

Foreign currency exchange

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

In general, the PRC government does not set a limit on the regular exchange international payment and transfer accounts. Foreign-invested enterprises are allowed to convert Renminbi into foreign currencies and remit abroad without the prior approval of the SAFE or its local branches: (i) when settling current account items in foreign currencies (in such case, payments must be made from their foreign exchange accounts and valid receipts and other related documents must be provided); and (ii) when distributing dividends to foreign investors (in such case, payments must be made from their foreign exchange accounts and the written resolutions of the board of directors on divided distribution and other related documents must be provided).

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

Macau

Corporate establishment and operation

The establishment, operation and management of corporate entities in Macau is governed by the Macau Commercial Code, approved by Decree-Law 40/99/M dated August 3, 1999, as amended (the “**Commercial Code**”).

According to the Commercial Code, a limited liability company may take the form of a “sole-shareholder limited liability company” (*sociedade por quotas unipessoal*), on which the shares of the company are fully held by one entity only. The legal provisions concerning limited liability companies apply equally to sole-shareholder limited liability companies with the following restrictions: (i) a sole-shareholder limited liability company cannot be held by another sole-shareholder limited liability company incorporated in Macau; and (ii) all transactions between the company and its sole shareholder must be done in writing, be necessary, useful or convenient to the pursuit of the company’s interests and must be audited by a chartered auditor, which shall declare that the interests of the company are duly protected and that the transaction is in accordance with standard market conditions and price.

REGULATORY OVERVIEW

Fit-out works

The fit-out works regime in Macau is essentially regulated in Decree-Law 79/85/M dated August 21, 1985 (the “**General Construction Works Regulation**”).

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are qualified as “*construction works*”. Pursuant to the said regulation, a construction works project designer, director, supervisor or constructor, whether individual or corporate, must register with the Macau Public Works and Transportation Bureau (“**DSSOPT**”), in order to legally carry out works which are qualified as construction works under the General Construction Works Regulation. Moreover, the direction of any construction works carried out in Macau must be done by a technician also duly registered with DSSOPT for the respective sectors of construction works under the Law 1/2015 dated January 5, 2015 (the “**Urban Construction and Planning Qualification Regime**”).

Fit-out works qualification

The project licensing regime set out in the General Construction Works Regulation and the registration requirements set out in the Urban Construction and Planning Qualification Regime are applicable to fit-out works which qualify as construction works under the General Construction Works Regulation, and expressly excludes modification works, maintenance and repairs within a residential unit which includes all interior alteration that do not alter the use of the unit, the structure or the area, main door span, exterior walls, window openings in the exterior walls or water supply or drainage network, in which case no design or project approval is legally required.

Fit-out works in a non-residential unit with area no greater than 120 square meters are also not subject to the project licensing regime set out in the General Construction Works Regulation, provided that such modification, maintenance or repair works do not alter the use of the unit or the building structure, or affect normal operation of the fire prevention system, and maintenance and repair work performed on the exterior walls of the facades of non-residential ground-floor units and replacement of fit-out or walls, which do not disturb other fractions of the same building. This includes modifying façade with brickworks, glass, slabs or other materials, opening doors on the wall. In the case of interior area of a unit, it includes general painting, furniture and equipment fitting, removal of existing partition, repair, replacement or change of false ceilings, interior wall finishes, room door, in-unit supply of electrical power, floor finishes, skirting, toilet accommodation, in-unit supply pine system or in-unit discharge pine system, construction of partition walls with brickworks, glass, slabs or other materials. In these cases, a simple prior notice to DSSOPT is satisfactory.

REGULATORY OVERVIEW

Sub-contractor's registration requirements

Registration requirements

In order to make a prior notice to, or to obtain a construction work license from DSSOPT, it is compulsory to submit a declaration of an individual or a corporate constructor registered with DSSOPT to undertake all liability arising from relevant works and to comply with all architectural technique requirements. If the prior notice or construction work license is made or obtained by the project's sub-contractors or trade contractors duly registered with DSSOPT, or any other entity carrying out and directing the works is works duly registered with DSSOPT, the main contractor or the first trade contractor of the works is not required to be registered with DSSOPT or to make or obtain an independent prior notice or license.

Registration procedure

The procedure for the registration with the DSSOPT, provided for in Article 8 of the General Construction Works Regulation, is routine and administrative in nature and, should all documents and information be provided to DSSOPT's satisfaction, no legal obstacle in completing registration is foreseeable. The abovementioned registration of an individual or corporate project designer, director, supervisor or constructor shall be renewed annually.

Based on the advice of the Macau counsel, our Directors confirm that our Group does not directly carry out any fit-out works on its own as a contractor or as a sub-contractor in Macau, and that all works sub-contracted to third parties do not qualify as construction works under the General Construction Works Regulation. Hence, the Group is not subject to the above registration, licensing or notification requirements. Our Directors further confirm that, in the event that fit-out works require notification to, or licensing from, DSSOPT, the sub-contractors appointed to carry out such works shall be duly registered with DSSOPT and that therefore the operation mode of the Group's business operations in Macau is valid and complies with the laws of Macau.

Foreign exchange, dividend distribution and repatriation of funds

The Macau Pataca is freely convertible and there are no restrictions affecting the remittance or repatriation of funds, namely, the repatriation of dividends. There are no currency control regulations, no currency control restrictions or approval requirements applicable to any outbound foreign currency transfers.

Unless otherwise stated in the respective articles of association, the shareholder of a Macau company is entitled to dividends in the proportion of its relevant shareholdings, as approved on the annual general meeting of the company and upon approval of the annual accounts of the previous financial year.

Distributable dividends are calculated on the basis of the profit of the company for each financial year, determined in accordance with the Macau accounting standards and regulations, which exceeds the aggregate of its share capital and the sums that shall integrate the mandatory and voluntary reserves on that financial year.

A Macau company may pay dividends before or after taxes.

REGULATORY OVERVIEW

(2) OVERSEAS MARKETS

During the Track Record Period, the fit-out work in relation to the interior solutions segment in Asian countries (excluding Hong Kong) were not carried out by us and no fit-out work was provided overseas (excluding Asian countries). Further, the installation of facade in overseas was conducted by local workers separately engaged by the respective client. For details, please see the section headed “Business — Our Services and Products”. As such, we were not subject to any local import tax in relation to the products delivered to our clients overseas or any applicable laws in relation to employment and construction.

In addition, the millwork, furniture and facades were provided according to our clients’ specifications and were not sold to any third party consumers. Therefore, our overseas clients were responsible for the registration of customs entries of the products as well as ensuring the products meet the relevant overseas laws and regulations (including import duties, product safety and anti-dumping regulations, etc.). For details about our quality control procedures, please see the section headed “Business — Quality control and warranty — Quality control”. Accordingly, our Directors consider that our Group is not exposed to material liabilities as a result of any such overseas laws and regulations.

European Union

Product Compliance Laws

The interaction between domestic and European legislation

There are various European requirements that apply to the import of goods into the EU and which have been transposed into the law of the various member states. There may therefore be minor variations in relation to different member states but generally the following rules will apply to the product categories we are dealing with.

EU Product Safety legislation

All product entering the EU must comply with product law. If they do not they will either be refused entry at the point of import or will have to be recalled from the market with the consequent expense of that procedure. Placing non-compliant product on the market is also a criminal offence. There are two principal European Directives which deal with the compliance of products in the EU: (1) the General Product Safety Directive (2001/95/EC) (“GPSD”) which imposes a general obligation on all those who place consumer products on the EU market to ensure that they are “safe”, and (2) the Product Liability Directive (85/374/EEC) (“PLD”) which sets out the circumstances in which a producer/supplier of a product may be liable for defective products.

The General Product Safety Directive

The GPSD imposes a general requirement that all products which are placed on the market for consumers, or which are likely to be used by consumers, should be “safe”. A product is considered “safe” if it (i) conforms to the safety provisions set out in European legislation, (ii) in the absence of such legislation, the specific national regulations of the Member State in which it is being marketed or sold; or (iii) it conforms to one of the European standards established according to the procedures set out in the GPSD.

REGULATORY OVERVIEW

The GPSD also imposes obligations on producers and distributors consistent with marketing safe products, sets out a framework for assessing safety and requires Member States to give national enforcement authorities the necessary powers to take action to protect customers from unsafe products.

In the absence of any specific piece of legislation dealing with a particular product the GPSD will apply to all consumer products on the EU market.

The New Approach Directives

In addition to the GPSD there are a number of Directives which apply to specific products, or categories of products. For example, there are directives dealing with specific products. These are referred to generically as the “*New Approach*” Directives and, along with the GPSD, aim to ensure the free movement of goods across the EU by, among other things, harmonising the technical standards which apply to those products.

Broadly speaking, the way in the New Approach Directives work is that the legislation will set out the “*essential requirements*” that a product must meet (for example, protect health and safety, minimise any risk from fire or be waterproof under reasonably foreseeable conditions of use) when they are placed on the market. It is then for the person placing the products on the EU market to demonstrate and confirm that they have complied with those essential requirements. One of the ways in which they can do this is to manufacture the product in conformity with one of the technical specifications drawn up by one of several EU wide “standards bodies” to satisfy the essential requirements in the relevant Directive. These technical specifications are referred to as “*harmonised standards*” and once implemented apply equally across Europe to reduce barriers to trade between Member States.

Many European Member States will have their own standards in place covering many products which are regulated by Europe, for example, the UK had standards in place for the manufacture of machinery for many years before an equivalent European wide standard was introduced.

To avoid any overlap or contradiction between European and national standards each harmonised standard is issued with a “*co-existence period*” during which both standards can be used to demonstrate conformity. From the date on which this period expires (which is prescribed in the relevant legislation) any national standards which contradict or overlap with a harmonised standard must be amended or withdrawn and presumptions of conformity can only be based upon the harmonised standard.

Member States therefore have to transpose the European standard via their national standards body/bodies (in the UK this is the British Standards Institute). In practice, what usually happens is that Member States will simply translate the European standard into their national language and attach an explanatory front sheet explaining the development of the particular standard and what has happened to the relevant domestic standards as a result.

Whilst compliance with the various standards is generally voluntary (there are some directives for which they are mandatory), compliance with a harmonised standard provides the manufacturer/importer with a presumption of conformity with the essential requirements, against which they can affix the CE mark to their product if required. The standards are voluntary because, if the person responsible for placing a product on the market does not wish to manufacture their product according to a European

REGULATORY OVERVIEW

harmonised standard, they do not have to do so. However, they must be able to demonstrate that their product complies with the essential requirements of the relevant Directive and therefore it will need to develop other technical evidence to demonstrate that their product is satisfactory.

In practice, most manufacturers use harmonised standards as the benchmark for compliance, rather than, for example, develop their own.

CE Marking

There is a requirement in the EU for prescribed products to carry the “CE” mark. As a general rule, all New Approach Directives require the products they cover to carry the CE mark. In some circumstances, products covered by the GPSD will also require CE marking.

The CE mark is a mark which the responsible person applies to their product to declare that (i) the product conforms to all applicable EU requirements; and (ii) the appropriate conformity assessment procedures have been completed.

It is the manufacturer of the product who is ultimately responsible for the conformity of a product with the provisions of the relevant directive, although in some circumstances the person placing the product on the market may assume those responsibilities.

If a product is not covered by a specific statutory requirement which requires CE marking then it must not be CE marked. However, even if a CE marking requirement does not apply the manufacturer will still have a general duty to ensure that those products are safe for normal or reasonably foreseeable use under the general product safety legislation.

Placing products on the market

Obligations under EU product safety legislation will depend upon the role that a business plays in the supply chain. The position can be briefly described as follows.

The **manufacturer** will be the person with the primary responsibility for designing and manufacturing a product in accordance with the essential requirements laid down in the relevant Directive and for carrying out the conformity assessment in accordance with the procedures laid down by the relevant directive. For these purposes, the **manufacturer** is the person responsible for designing and manufacturing a product, either within or outside the EU, with a view to placing it on the EU market.

If the manufacturer is based outside of the EU they may appoint an **authorised representative** (who must be established within the EU) to act on their behalf and to whom they can formally delegate administrative tasks to. However, the ultimate responsibility for conformity will still remain with the manufacturer. The actor in the supply chain which is most likely to be relevant to the company is that of the **importer or person responsible for placing the product on the EU market**. This is someone who is established in the EU who is responsible for placing products from a non EU country on the EU market and they will be responsible for providing national authorities with the relevant conformity information about a product where necessary.

REGULATORY OVERVIEW

In practice, this will mean that the company will be ultimately responsible for ensuring that the products which it places on the market are safe and that they comply with the essential requirements of the relevant legislation and we suspect that the company will be looking to work with its suppliers to ensure that the products it sells are compliant. If the company is not the importer of a product (ie the product is sourced from a supplier within the EU) then it is going to be the responsibility of the manufacturer or first importer of those products to ensure that they are compliant. In this scenario the company will be a **distributor** (someone who sells products after they have first been placed on the EU market) for compliance purposes.

Therefore, a company will have to ensure that it supplies products which comply with the general safety requirements, monitor the safety of products on the market and take steps to, for example, notify the relevant competent authority and to remove a product from the market if the company discovers that it is unsafe.

Market Surveillance

One of the underlying principles of the New Approach directives is the principle of “Market Surveillance”, which is an essential enforcement tool which obliges manufacturers and distributors to take steps to check that products meet the requirements of the applicable directives, that action is taken to rectify non-compliant products and that sanctions are applied where necessary. In effect, this requires Member States to carry out “Market Surveillance” in order to monitor products which are on the market in their jurisdiction and to have procedures in place to conduct product withdrawals and recalls where necessary.

The relevant national legislation imposes an obligation on manufacturers and distributors to notify local authorities when they become aware that they have either distributed or placed on the market an unsafe product.

In certain circumstances, regulators can require a manufacturer, distributor or retailer to conduct a withdrawal or recall of products which are deemed not to be safe.

RAPEX

RAPEX is the EU rapid alert system for dangerous consumer products (excluding food, pharmaceuticals and devices which are covered by other alert systems). Where a national competent authority identifies a dangerous product within its jurisdiction it must take all appropriate measures to eliminate the risk posed by that product (issue a warning, withdraw the product or issue a product recall) and must also notify the European Commission about the product, the risk it poses and the steps taken in that jurisdiction to manage that risk.

The European Commission will then disseminate that information to each Member State competent authority so that each country can take the necessary steps to address any unsafe products in their respective markets. As part of this, the Commission publishes a weekly overview of dangerous products and of the measures it has taken to prevent risks and accidents.

REGULATORY OVERVIEW

The legislation imposes a positive obligation on retailers, suppliers and manufacturers to notify the relevant enforcement authority when a product does not comply with the general safety requirement. This means that suppliers effectively have to monitor their products for potential risks, not least so they have advance warning of potential issue to enable them to take action before the authorities take the step of ordering a product recall.

These obligations pose two important questions for producers: (i) whether to notify; and (ii) when to notify. The answers to these questions will be different in each case and will depend upon the level of information which is available and the risk posed by the product in the market place but it is important that there are systems in place so that staff know when a notification has to be made. The other important obligation is a positive duty on producers to withdraw unsafe products from the distribution chain and/or recall them from customers. Significantly, enforcement authorities may order a recall to be undertaken if, for example, a product poses a “significant risk” and/or they are not satisfied with the steps being taken by the producer or distributor.

For these reasons it is vital for a company to have systems in place to manage the business response to a defective product being identified in the supply chain. This should set out:

- when a notification of a defective product must be made to the regulator;
- when a withdrawal of a product from the supply chain is necessary; and
- when a product recall is necessary.

The sort of facts that will need to be taken into account when determining the steps to be taken in respect of a potentially defective product are: the level of risk posed by that product in the market place; the likelihood of harm being caused by the product; the size of the affected product population; the practicalities of undertaking a withdrawal/recall and whether any other protective measures may be more suitable.

It is also important for a company to have systems in place to collect and analyse information about reports of incidents, complaints, warranty claims and insurance claims involving products sourced and sold and also that it maintains good records to help it trace products and identify customers and end users in the event of a problem. Problems with defective products can often arise quickly and require careful management using a “crisis management team” to oversee the business’ response to the problem so that the issue is managed in a manner which minimises both the risk to the consumer and the risk to the reputation and standing of the business.

The European Union Timber Regulation 2013 (EUTR)

The European Union Timber Regulation puts obligations on businesses who trade in timber and timber related products. It applies to timber originating in the domestic (EU) market, as well as from third (non-EU) countries.

Those who trade in timber fall into the following 2 categories: (1) operators, and (2) traders. They each have a set of responsibilities which are detailed under Government Guidance in the relevant country. “Timber and timber products” refers to the timber products set out in the annex to the EUTR.

REGULATORY OVERVIEW

Due diligence systems are in place to minimise the possibility that products placed on the EU market contain illegally harvested timber. They provide information on the supply of timber products.

The Furniture and Furnishings (Fire Safety) Regulations 1998

The Furniture and Furnishings (Fire Safety) Regulations 1998 ("Fire Safety Regulations") set out the specific fire resistant properties and testing requirements for products such as sofas, beds, and other upholstered furniture.

There are six main elements of the Fire Safety Regulations: (1) filling materials must meet specified ignition requirements; (2) upholstery composites must be cigarette resistant; (3) upholstery covers must be match resistant; (4) a permanent label must be fitted to most items of new furniture; (5) a display label must be fitted to most items of new furniture at the point of sale; and (6) the first supplier of domestic upholstered furniture in the UK must maintain records for a period of five years to demonstrate compliance.

It is illegal to supply products which do not comply with the Fire Safety Regulations, regardless of whether they were manufactured in the UK or not.

Enforcement

Enforcement of the European legislation in this area falls to the relevant Member State, who will clearly also be responsible for enforcing their own domestic product safety/regulation regimes. This can include the imposition of criminal sanctions in the form of fines and imprisonment in more serious cases.

United States

During the Track Record Period, we had no material activities in the United States other than our provision of millwork and furniture. Certain federal and state product safety laws and regulations and other laws and regulations are applicable to our products sold to the United States. The laws, rules and regulations with the most significant impact on our operations are described below. However, other federal, state and local laws may also impose certain obligations on us and affect our products sold within the United States.

Product Safety Laws

Enacted in 1972, the Consumer Product Safety Act ("CPSA") is the umbrella statute of product safety which sets forth various laws pertaining to products sold in the United States. It established and defined the authority of the Consumer Product Safety Commission ("CPSC"). Pursuant to this authority, the CPSC had promulgated a series of regulations under the CPSA. In 2008, the Consumer Product Safety Improvement Act ("CPSIA") was enacted and provided the CPSC with significant new regulatory and enforcement tools.

REGULATORY OVERVIEW

Section 14 of the CPSA provided that imported consumer products shall bear certificates specifying the compliance with applicable rules and standards under this act. According to Section 17 of the CPSA, the importation of consumer products which fail to comply with relevant safety rules or to be accompanied by a certificate required by the CPSA will be refused to be imported into the United States. The CPSA also provides for civil and criminal penalties with respect to the violation of the act.

Furthermore, the CPSA contains several reporting requirements for manufacturers of consumer products sold in the U.S. First, Section 15(b) of the CPSA requires manufacturers to inform the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with certain consumer product safety rules, (2) contains certain defects or (3) creates an unreasonable risk of serious injury or death. The CPSC may require the manufacturer to cease distribution of the product and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product into conformity with applicable consumer protection laws or regulations, repair the defect in the product, replace the product with an equivalent product that complies with relevant consumer safety rules, effect a product recall and/or refund the purchase price of the product.

Additionally, Section 37 of the CPSA requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of the filing of at least three civil actions related to death or grievous bodily injury that result in final settlement or a court judgment in favor of the plaintiff within a specified 24-month period.

The CPSC has also adopted flammability standards under the U.S. Flammable Fabrics Act ("FFA") for upholstered furniture such as interior furnishings. In addition, certain states continue to consider open flame regulations for upholstered furniture that may be different or more stringent than any standards adopted by the CPSC under the FFA. It is possible that if the relevant states to which we sell our products adopt and enforce more stringent standards, it could increase our manufacturing, sales and compliance costs.

Federal and state laws regulate the use of certain materials in furniture and other goods. The CPSA and similar state laws bar the sale of furniture intended for use by children if it is coated in paint with lead content exceeding a specified amount. The sale of products containing polybrominated diphenyl ethers, used as a flame retardant in foam furnishings, has been restricted by various states, including California. The sale of goods containing formaldehyde in composite wood material has also been restricted under the Federal Formaldehyde Standards for Composite Wood Products Act and similar rules promulgated by California's Air Resources Board. The use of "previously used filling" in furniture requires labels identifying the use of such filling under the Textile Fiber Products Identification Act, and the laws of the majority of states require that furniture with filling provide labels describing the filling materials as a percentage of those filling materials by weight. It is anticipated that laws and regulations regarding the sale of products containing certain materials will change over time and that additional materials and chemicals may be restricted as safety concerns become apparent.

Product Liability Laws

In terms of product liability, it is not governed by federal law but state law in the United States, most of which is based on common law. Although differences do exist, the vast majority of states have adopted similar laws that share common principles as discussed below. Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect

REGULATORY OVERVIEW

in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. Product liability claims may be based on negligence, strict liability or breach of warranty. In a negligence claim, the defendant could be held liable for a personal injury or property damage caused by a failure to use due care. Strict liability claims, however, do not depend on the degree of carefulness by the defendant. A defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product’s defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about.

Import Regulations

Our shipments of products to the United States are subject to custom inspection and compliance. All of our imported millworks and furniture must be classified in the Harmonized Tariff Schedule of the United States and valued in accordance with applicable laws. The goods must also bear markings of the country-of-origin which identify where the product is made.

The Bureau of Customs and Border Protection (“CBP”), which is part of the US Department of Homeland Security, is responsible for enforcing all laws and regulations on the importation of carriers and commodities. An importer of goods and commodities to the US is responsible to exercise reasonable care to confirm that all information declared to the CBP is complete and accurate. Depending on the specific millwork and furniture imported to the US, the regulations of other government agencies may also be relevant. For example, the US Department of Agriculture’s Animal and Plant Health Inspect Services (“APHIS”) requires an importer of timber product to obtain an import permit and comply with certain specific regulations before timber products can be imported to the United States. The APHIS also requires wood and wood products (including wooden furniture) to undergo phytosanitary procedures prior to importation in order to eliminate the risk of introducing non-native pests and diseases to the United States.

Competition and Antitrust Laws

The US antitrust laws are developed in response to unfair business practices and anticompetitive conduct by companies, corporate monopolies and trusts. At the heart of US antitrust laws is the Sherman Antitrust Act (“Sherman Act”), which prohibits agreements that unreasonably restrain trade and the unilateral abuse of monopoly power. Conduct such as price-fixing, bid-rigging, limitation of output, allocation of territories or customers and exclusionary conduct to achieve monopoly are prohibited under the Sherman Act. Violation of the Sherman Act and other anti-trust laws and regulations would lead to criminal and/or civil sanctions.

The US antitrust laws apply to businesses and individuals alike. Certain laws and regulations also have an extraterritorial reach. Pursuant to the Foreign Trade Antitrust Improvement Act of 1982, the Sherman Act would apply to conduct that occur outside of the US if such conduct (1) has a direct, substantial and reasonably foreseeable effect on US commerce, including US import or export commerce; and (2) give rise to a claim under the Sherman Act. Our trade and commerce with our US clients are therefore subject to the US antitrust laws.

REGULATORY OVERVIEW

Foreign Exchange

The U.S. dollars is freely convertible and there are no restrictions affecting the remittance of funds. There are no currency control regulations, currency control restrictions or approval requirements applicable to outbound foreign currency transfer.

HISTORY AND REORGANIZATION

HISTORY AND DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands on March 18, 2016 and, as part of the Reorganization, became the holding company of our Group with its business being conducted through our Group’s operating subsidiaries providing total design solution to our clients which covers a wide range of services including millwork and furniture provision, facade development and fabrication, design and project consultancy and interior solutions.

Our Business History

The history of our Group can be traced back to 1999 when Crosstec Interiors (formerly known as CROSS MAX INTERIORS LIMITED (宏緯設計工程有限公司)) was established by our founders, Mr. Lee and Mr. Wong Koc Kei (黃國基) (“**Mr. Wong**”), primarily focusing on interior design and fit-out construction business in Hong Kong. For the biographical details of Mr. Lee, please refer to the section headed “Directors and Senior Management” of this document. The business was financed by the founders’ own capital and was able to capitalize on Mr. Lee and Mr. Wong’s experience gained while they were working for reputable interior design companies in Hong Kong and Canada.

Crosstec International (formerly known as CROSSMAX INTERNATIONAL LIMITED (宏緯國際有限公司)) was established in 2007 to capture the growth of our business and broadening of our global client base, replacing Crosstec Interiors as our main operating subsidiary. With a view to expand our business in the PRC and Macau markets, we established Crosstec (Shenzhen) and CX (Macau) in 2009 and 2013 respectively in order to cope with our clients in the PRC and Macau markets efficiently.

Our Business Milestones

Although we are a small interior design firm in Hong Kong, owing to our continuous emphasis on innovation and providing creative design solutions to our clients, we have been able to take on complicated and unique projects since the early stage of our business. For example, in 1999, we were engaged by Client GG to provide our services to their store at the Peninsula Hotel, Hong Kong and in 2001, we were further engaged to build the exterior facade of its flagship store at Canton Road, Hong Kong, which was at that time the longest exterior facade of its shops worldwide. These projects helped establish our reputation among the luxury brands for our innovative and high quality products and services. Benefitting from the success of these projects, we were further engaged to extend our services to their retail stores across the Asia Pacific regions and at the same time attracted other luxury brands to approach us for our innovative interior design services and products.

Since then, we have also steadily gained recognition in the high-end jewelry brands. In 2003, we successfully went through stages of stringent approval processes and became a global furniture supplier of Client CT. This further consolidated our reputation as a high-quality in-store furniture and showcases provider among the luxury jewelry brands. Through the global retail store platforms of our clients, we were able to establish our business footprints in a large number of cities across the world in a short period of time. Furthermore, in 2009, we began our collaboration with Graff Diamonds and have become the supplier of in-store furniture for its global stores and boutiques since then. In 2014, we developed a complete shopfront concept with Graff Diamonds and subsequently installed multi-colored bronze shopfronts in all of their stores around the world. This again allowed us to gain access and provide our services and products to their stores worldwide. During the Track Record Period and up to the Latest Practicable Date, we have completed projects in 67 cities. For details of our global footprint, please see the section headed “Business — Our Global Projects”.

HISTORY AND REORGANIZATION

In summary, the below sets forth a chronological review of the key business milestones of our Group:

Date	Milestones
1999	Crosstec Interiors (formerly known as CROSS MAX INTERIORS LIMITED (宏緯設計工程有限公司)) was incorporated in Hong Kong
2000	We were engaged by Client GG, an Italian luxury brand of fashion and leather goods, for the interior design and construction work for their stores across the Asia Pacific regions
2001	We were engaged by Client GG to construct the longest exterior facade amongst its shops worldwide at that time at its flagship store on Canton Road
2003	We became the worldwide furniture supplier of Client CT, a French luxury jewelry and timepiece brand
2004	We collaborated with a French-based high-end jeweller and undertook work in the Middle East and Europe Our global footprints extended to North America where we were engaged to provide showcases for our client We received ISO 9001 certification for our quality management system in connection with the manufacturing and design of furniture We started interior design and boutique development work in Japan with Client CT
2006	Our global footprints extended to South America where we were engaged to provide furniture for our client
2007	Crosstec International (formerly known as CROSSMAX INTERNATIONAL LIMITED (宏緯國際有限公司)) was incorporated in Hong Kong
2009	We commenced our business relationship with Graff Diamonds worldwide Crosstec (Shenzhen) was incorporated in the PRC We began providing millwork and furniture to a historic and upmarket department store in London
2013	CX (Macau) was incorporated in Macau
2014	We received ISO 14001 certification for our quality management system in connection with the design and project management of fitting out services with millwork furniture
2015	We started developing boutique furniture for Lancôme, a French luxury cosmetics, skincare and perfume brand, in the United States
2016	Our Company and Crosstec (BVI) were incorporated in preparation of the [REDACTED]

HISTORY AND REORGANIZATION

Corporate Development

As at the Latest Practicable Date, our Group comprised our Company, Crosstec (BVI), Crosstec Group, Crosstec International, Crosstec Interiors, Crosstec (Shenzhen) and CX (Macau). The following sets forth the shareholding and corporate structure, place of incorporation/establishment and principal business activities of each member of our Group as at the Latest Practicable Date.

Crosstec Group

CROSSMAX GROUP LIMITED (宏緯控股有限公司) (which subsequently changed its name to CROSSTEC Group Limited (易緯集團有限公司) on January 29, 2016) was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on May 10, 2007, with an authorized share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. Each of Mr. Lee and Mr. Wong subscribed for one share for cash at HK\$1.00 respectively.

On May 10, 2007, a total number of 99,998 shares were allotted to Mr. Lee and Mr. Wong, each of whom subscribed for 49,999 shares at HK\$1.00 per share. The consideration was settled in cash on the same date. Upon completion of this allotment, there were a total of 100,000 issued shares of HK\$1.00 each in Crosstec Group and held as to 50% by each of Mr. Lee and Mr. Wong.

Mr. Wong, one of our founders, passed away in June 2011. On December 13, 2011, the last will and testament of Mr. Wong, was proved and registered in the High Court of Hong Kong, Probate Jurisdiction, and that administration of the estate of Mr. Wong was granted to Ms. Chiu Mei Ying Brenda (趙美瑛), the spouse of Mr. Wong ("Mrs. Wong"). On the same day, Mrs. Wong, as the executor of the estate of Mr. Wong, transferred his entire shareholding in Crosstec Group to Ms. Leung at a consideration of HK\$50,000. The consideration was settled in cash on the same date. The consideration was agreed between the parties upon arms' length discussion based on (i) the net asset value of Crosstec Group as at June 30, 2011 with amount of approximately HK\$5.4 million, in which 50% interest was held by Mr. Wong; (ii) the amount due from Mr. Wong to Crosstec Group as at June 30, 2011 with amount of HK\$4.1 million; and (iii) the consideration paid by Mr. Wong for the subscription of shares upon the incorporation of Crosstec Group, being HK\$50,000 for 50,000 shares of HK\$1 each. Our Directors are of the view that the consideration paid for the transfer was fair and reasonable, which was agreed and accepted by Mrs. Wong. Upon completion of this share transfer, Crosstec Group was owned by Mr. Lee and Ms. Leung as to 50% each.

As at the Latest Practicable Date, Crosstec Group was an intermediate holding company of our Group and held the entire issued share capital of Crosstec Interiors, Crosstec International, Crosstec (Shenzhen) and CX (Macau).

Crosstec Interiors

Cross Max Interiors Limited (which subsequently changed its name to Crosstec Interiors on January 29, 2016) was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on April 21, 1999, with an authorized share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each. Each of Mr. Lee and Mr. Wong subscribed for one share for cash at HK\$1.00, respectively.

HISTORY AND REORGANIZATION

On April 21, 1999, a total number of 99,998 shares were allotted to Mr. Lee and Mr. Wong, each of whom subscribed for 49,999 shares at HK\$1.00 per share. The consideration was settled in cash on the same date. Upon completion of this allotment, there were a total of 100,000 issued shares of HK\$1.00 each in Crosstec Interiors and held as to 50% by each of Mr. Lee and Mr. Wong.

On May 6, 2009, each of Mr. Lee and Mr. Wong transferred 50,000 shares in Crosstec Interiors to Crosstec Group at a consideration of HK\$50,000, which was based on the par value of the shares of Crosstec Interiors. The consideration was fully settled in cash on the same date. After the transfer, Crosstec Interiors became a wholly-owned subsidiary of Crosstec Group.

As at the Latest Practicable Date, Crosstec Interiors principally engaged in the provision of office management service and staff to Crosstec International.

Crosstec International

CROSSMAX INTERNATIONAL LIMITED (which subsequently changed its name to CROSSTEC International Limited (易緯國際有限公司) on January 29, 2016) was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on May 17, 2007, with an authorized share capital of HK\$100,000 divided into 100,000 shares of HK\$1.00 each, of which Crosstec Group subscribed for one share for cash at HK\$1.00.

On May 18, 2007, a total number of 99,999 shares were allotted to Crosstec Group at HK\$1.00 per share. The consideration was settled in cash on the same date. Upon completion of this allotment, there were a total of 100,000 issued shares of HK\$1.00 each in Crosstec International and Crosstec Group held the entire issued share capital of Crosstec International.

As at the Latest Practicable Date, Crosstec International principally engaged in the provision of total solution of interior design including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy.

Crosstec (Shenzhen)

Crosstec (Shenzhen) was established on December 4, 2009 in Shenzhen, the PRC as a wholly foreign-owned limited liability company (有限責任公司(台港澳法人獨資)) in the PRC with an initial registered capital of HK\$1,500,000. Crosstec (Shenzhen) was a wholly-owned subsidiary of Crosstec Group.

Under its Articles of Association, the registered capital will be paid in two installments. By March 2, 2010, Crosstec (Shenzhen) received the first installment of the paid-in capital HK\$500,000, which was duly examined by the Chinese certificate public accountants and recognized by the Market Supervision Department of Shenzhen Municipality (深圳市市場監督管理局).

By November 11, 2011, Crosstec (Shenzhen) received the second installment of the paid-in capital HK\$1,000,000, which was duly examined by the Chinese certificate public accountants and recognized by the Market Supervision Department of Shenzhen Municipality (深圳市市場監督管理局).

As at the Latest Practicable Date, Crosstec (Shenzhen) principally engaged in material and furniture trading in the PRC.

HISTORY AND REORGANIZATION

CX (Macau)

CX (Macau) was incorporated in Macau as a limited liability company on December 17, 2013, with a capital of MOP25,000 wholly owned by Mr. Lee.

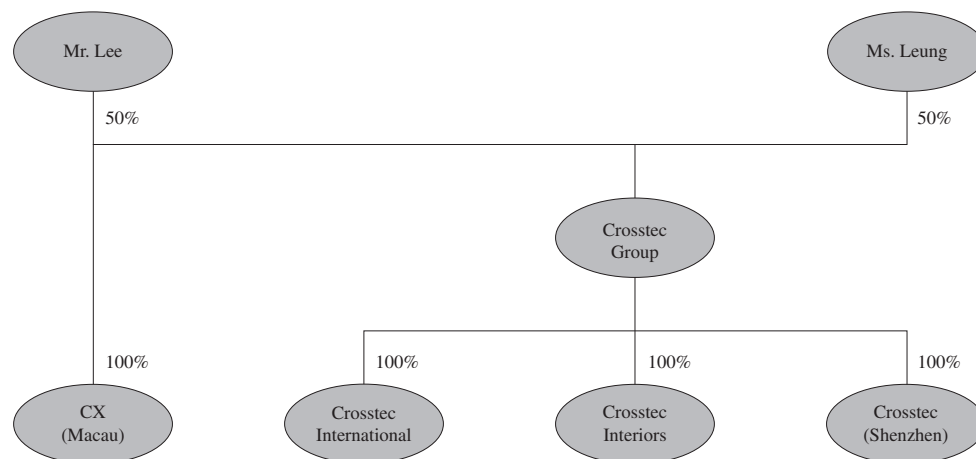
As at the Latest Practicable Date, CX (Macau) principally engaged in the provision of total interior design solutions including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy.

Save as disclosed otherwise, the aforementioned considerations were determined on an arm's length basis with reference to the registered capital and the book value of the net worth of the relevant companies. All the aforementioned transactions have been properly and legally completed and settled.

REORGANIZATION

Our Company completed the Reorganization on March 22, 2016 in preparation for the [REDACTED], we have undertaken the following Reorganization steps, pursuant to which our Company became the holding company of our Group.

The following diagram sets out the corporate structure of our Group before the Reorganization:



(i) Acquisition of CX (Macau) by Crosstec Group

On January 20, 2016, Mr. Lee transferred the entire equity interests in CX (Macau) to Crosstec Group for a consideration of MOP25,000. The basis of the consideration was determined with reference to the capital of CX (Macau).

(ii) Incorporation of CGH (BVI)

On March 17, 2016, CGH (BVI) was incorporated in the BVI as the investment holding company of Mr. Lee and Ms. Leung. 50 ordinary shares were issued and allotted to each of Mr. Lee and Ms. Leung at a par value of US\$1.0 on the same day.

HISTORY AND REORGANIZATION

(iii) Incorporation of our Company

On March 18, 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. On the same day, 100 Shares were issued and allotted to CGH (BVI) at a par value of HK\$0.01, after which CGH (BVI) became our sole shareholder.

(iv) Incorporation of Crosstec (BVI)

On March 21, 2016, Crosstec (BVI) was incorporated in the BVI and 50 ordinary shares were issued and allotted to each of Mr. Lee and Ms. Leung at a par value of HK\$1.0 upon incorporation.

(v) Acquisition of Crosstec Group by Crosstec (BVI)

On March 22, 2016, Crosstec (BVI) acquired the total issued share capital of Crosstec Group from each of Mr. Lee and Ms. Leung, for a consideration of HK\$1 after which Crosstec (BVI) became the sole shareholder of Crosstec Group. Given that Mr. Lee and Ms. Leung are the ultimate controlling shareholders of Crosstec (BVI), it was agreed that the acquisition would be conducted for nominal consideration.

(vi) Acquisition of Crosstec (BVI) by our Company

On March 22, 2016, our Company acquired the total issued share capital of Crosstec (BVI) from Mr. Lee and Ms. Leung for an aggregate consideration of HK\$100, after which our Company became the sole shareholder of Crosstec Group and indirectly held the entire interests of our operating subsidiaries. Given that Mr. Lee and Ms. Leung are the ultimate controlling shareholders of our Company, it was agreed that the acquisition would be conducted for nominal consideration.

Save as disclosed otherwise, the aforementioned considerations were determined on an arm's length basis with reference to the issued share capital and the book value of the net worth of the relevant companies. All the aforementioned transactions have been properly and legally completed and settled.

ACTING IN CONCERT

Mr. Lee and Ms. Leung, given their spousal relationship, are presumed to be acting in concert under the Takesovers Code. During the Track Record Period, Mr. Lee and Ms. Leung have been acting in concert as a group of controlling shareholders and will continue the same going forward. As a result, Mr. Lee and Ms. Leung are presumed to be collectively cooperate in the management and control of our Group through their shareholding in CGH (BVI).

HISTORY AND REORGANIZATION

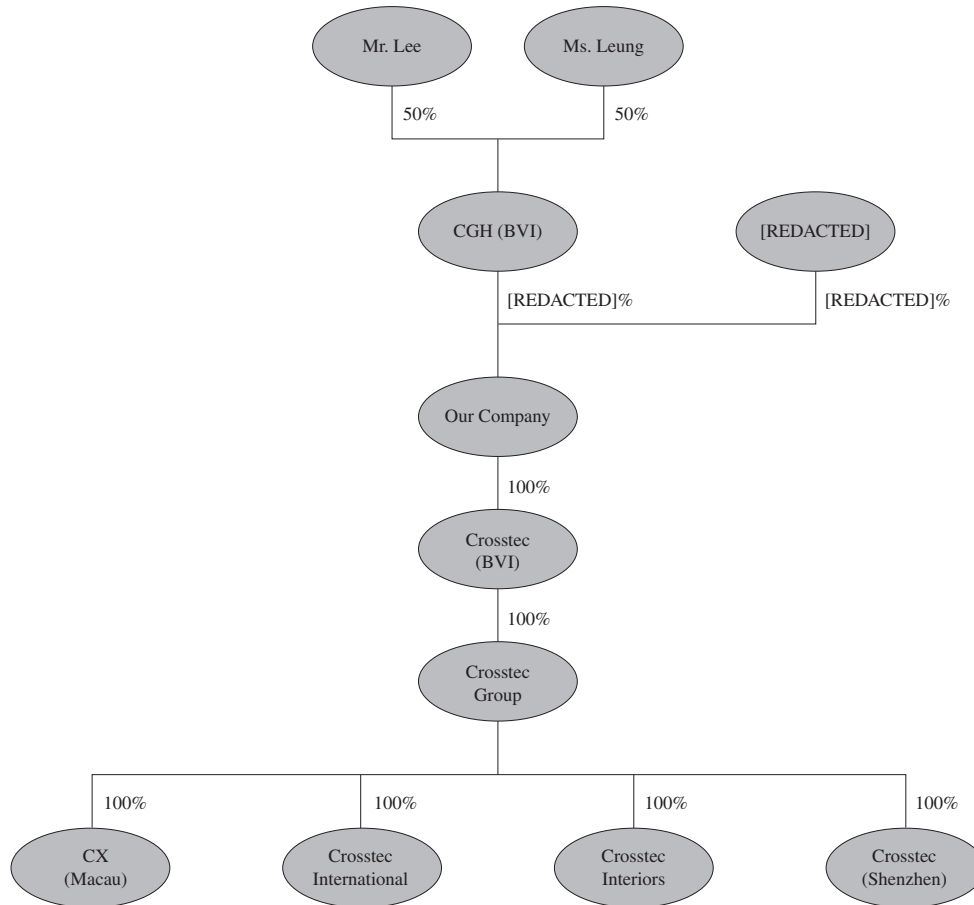
CORPORATE STRUCTURE OF OUR GROUP PRIOR TO AND AFTER REORGANIZATION

The following diagram sets out the corporate structure of our Group after the Reorganization:



HISTORY AND REORGANIZATION

The following diagram sets out the corporate structure of our Group immediately after the completion of the [REDACTED] and the [REDACTED] (assuming none of the [REDACTED] is exercised and without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a provider of interior design solutions and the majority of our clients are global luxury goods and high-end fashion brands with retail stores across the world. According to the Frost & Sullivan Report, we are the largest Hong Kong-based luxury retail interior designer in terms of revenue in 2015. We serve a global client base with footprints in various parts of the world including Hong Kong, China, the United States, Europe, Middle East and other Asian countries. We provide bespoke and total interior design solutions to our clients, which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Each of these services may be provided on its own or collectively with other services to our clients according to their specific demand and requirement for each individual project. During the Track Record Period, our millwork, furniture and facades were produced by our suppliers, while the fit-out work was carried out by our sub-contractors or local contractors.

Our revenues for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 were HK\$123.8 million, HK\$113.8 million, HK\$130.6 million and HK\$100.8 million, respectively, representing a CAGR of approximately 2.7% from June 30, 2013 to June 30, 2015. Our gross profit for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 were HK\$33.4 million, HK\$37.0 million, HK\$44.2 million and HK\$35.7 million, respectively, representing a CAGR of approximately 15.1% from June 30, 2013 to June 30, 2015.

During the Track Record Period, we completed a total of 725 projects in 67 cities, of which 57.2%, 14.8%, 22.5% and 4.3% of our completed projects were in Hong Kong, Europe, Asia (excluding Hong Kong), and Americas. The breakdown according to geographic locations of our client is as follows:

	Year ended June 30,			10 months ended April 30,
	2013	2014	2015	2016
Asia				
— Hong Kong	117	131	100	67
— China	—	5	1	3
— Others	49	24	22	59
	<u>166</u>	<u>160</u>	<u>123</u>	<u>129</u>
Subtotal				
	<u>166</u>	<u>160</u>	<u>123</u>	<u>129</u>
Europe	25	26	27	29
Middle East	1	2	—	6
Americas	4	15	6	6
	<u>4</u>	<u>15</u>	<u>6</u>	<u>6</u>
Total	<u>196</u>	<u>203</u>	<u>156</u>	<u>170</u>

BUSINESS

The following table set forth the number of projects completed during the Track Record Period and the average contract sum of the four major categories of our interior design services:

	2013		Year ended June 30, 2014		2015		10 months ended April 30, 2016	
	No. of projects completed	Average contract sum <i>HK\$'000</i>	No. of projects completed	Average contract sum <i>HK\$'000</i>	No. of projects completed	Average contract sum <i>HK\$'000</i>	No. of projects completed	Average contract sum <i>HK\$'000</i>
Millwork and furniture provision	172	223	162	400	117	495	113	592
Facade development and fabrication	3	5,384	3	2,782	4	1,706	6	3,122
Interior solutions	18	3,841	37	1,101	33	1,962	42	352
Design and project consultancy	<u>3</u>	<u>12</u>	<u>1</u>	<u>5</u>	<u>2</u>	<u>550</u>	<u>9</u>	<u>43</u>
Total	<u>196</u>	631	<u>203</u>	561	<u>156</u>	837	<u>170</u>	593

As our business operations are project-based, the contract sum varies among projects. During the Track Record Period, the average contract sum of our interior solutions dropped from HK\$3.8 million for the year ended June 30, 2013 to HK\$0.4 million for the 10 months ended April 30, 2016. The overall decrease was primarily due to the increase in the number of projects with smaller scale and lower contract amount in this category. Moreover, for the 10 months ended April 30, 2016, with our strategy to focus more on millwork and furniture provision, this led to further decrease of the average contract sum of our interior solutions projects during the period.

For the 10 months ended April 30, 2016, the average contract sum of our interior solutions projects was lower than that for our millwork and furniture provision and our facade development and fabrication projects. Although our interior solutions segment also covers the provision and installation of millwork, furniture and facade, during the period, our interior solutions projects were mainly small scale, as we focused on and allocated more resources to our millwork and furniture provision projects. This in turn led to the increase of average contract sum of our millwork and furniture provision projects. In addition, during the period, we completed a large-scale project in Macau for our facade development and fabrication segment with a total contract sum of HK\$5.6 million for one of our major clients, which significantly increased the average contract sum of our facade development and fabrication projects.

BUSINESS

The following table sets forth our revenue by region for the period indicated:

	Year ended June 30,						10 months ended April 30,			
	2013	% of	2014	% of	2015	% of	2015	% of	2016	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
Asia										
— Hong Kong	81,917	66.2%	52,040	45.7%	66,753	51.1%	61,965	54.3%	17,993	17.8%
— China	6,517	5.3%	5,946	5.2%	4,933	3.8%	3,118	2.7%	6,004	6.0%
— Others	19,804	15.9%	17,577	15.5%	24,747	19.0%	22,649	19.9%	25,925	25.7%
Subtotal	<u>108,238</u>	<u>87.4%</u>	<u>75,563</u>	<u>66.4%</u>	<u>96,433</u>	<u>73.9%</u>	<u>87,732</u>	<u>76.9%</u>	<u>49,922</u>	<u>49.5%</u>
Europe	10,709	8.7%	23,834	20.9%	31,137	23.8%	23,347	20.5%	44,666	44.3%
Middle East	519	0.4%	4,163	3.7%	—	0.0%	—	0.0%	—	0.0%
Americas	4,301	3.5%	10,238	9.0%	3,008	2.3%	3,008	2.6%	6,249	6.2%
Total	<u>123,767</u>	<u>100.0%</u>	<u>113,798</u>	<u>100.0%</u>	<u>130,578</u>	<u>100.0%</u>	<u>114,087</u>	<u>100.0%</u>	<u>100,837</u>	<u>100.0%</u>

As at the Latest Practicable Date, we had a total of 37 projects on hand. The majority of these projects are located in Europe and Hong Kong with a total contract sum of approximately HK\$35.9 million.

The table below sets out our recognized revenue and total value of new contracts during the Track Record Period and up to the Latest Practicable Date, and the opening and closing value of our backlog during the relevant period:

	Year ended June 30,			10 months	From
	2013	2014	2015	ended	May 1, 2016
	HK\$'000	HK\$'000	HK\$'000	April 30,	to the Latest
				2016	Practicable Date
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening value of backlog	24,169	35,339	17,749	18,229	17,208
Total value of new contracts ⁽¹⁾	134,937	96,208	131,058	99,816	53,983
Total revenue recognized ⁽²⁾	(123,767)	(113,798)	(130,578)	(100,837)	(36,516)
Closing value of backlog ⁽³⁾	35,339	17,749	18,229	17,208	34,675
— Millwork and furniture provision					
Value of backlog (HK\$'000)	20,617	10,647	10,430	17,208	18,539
Project commencement period	April to June 2013	April to June 2014	April to June 2015	January to March 2016	March to August 2016
Project completion period	July to September 2013	July to September 2014	July to September 2015	May to June 2016	August to October 2016

BUSINESS

	Year ended June 30,			10 months ended April 30, 2016	From May 1, 2016 to the Latest Practicable Date
	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— Facade development and fabrication					
Value of backlog (<i>HK\$'000</i>)	2,547	1,013	7,799	—	—
Project commencement period	April to May 2013	May 2014	April 2015	N/A	N/A
Project completion period	July to August 2013	August 2014	July to August 2015	N/A	N/A
— Interior solutions					
Value of backlog (<i>HK\$'000</i>)	12,175	6,089	—	—	15,996
Project commencement period	April to June 2013	April to June 2014	N/A	N/A	May to August 2016
Project completion period	July to October 2013	July to September 2014	N/A	N/A	August to October 2016
— Design and project consultancy					
Value of backlog (<i>HK\$'000</i>)	—	—	—	—	140
Project commencement period	N/A	N/A	N/A	N/A	March 2016
Project completion period	N/A	N/A	N/A	N/A	October 2016

Notes:

- (1) Total value of new contracts refers to the aggregate value of our new contracts which were awarded to us during the relevant year or period indicated.
- (2) Recognized revenue refers to the portion of the total estimated revenue that has been recognized in the relevant year or period indicated.
- (3) Closing value of backlog refers to the portion of the total estimated revenue that has not been recognized with respect to projects that have not been fully completed as at the end of the relevant year or period indicated.

BUSINESS

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

Bespoke interior design solutions for high-end luxury brands

We believe our strong reputation for bespoke design solutions represents a key competitive advantage against other interior designers. The services that we provide include millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Our clients can choose to engage us for any or all of our services according to their particular needs. While interior design is a competitive market, we believe there are only a limited number of market players that can provide a full spectrum of services to their clients. According to the Frost & Sullivan Report, although there is a large number of market players in the interior design industry, most of them provide a limited scope of interior design services. As such, our capability to provide comprehensive interior design services provides us with a competitive edge. With our business approach, we are able to provide seamless coordination among our design and creative team and project consultancy team, which enables us to fully translate different client's branding concepts into the specific design of their shops.

Our acute sense for detail and quality has enables us to stay atop of our clients' needs. For instance, as many of our clients are high-end jewelry brands, it is of utmost importance for us to have the knowhow and experience to incorporate specific lighting set up and parameters into our tailor-made showcases, wall vitrines and facade displays, in order to accentuate or complement the jewelry and timepieces on display. The correlated color temperature, angles and positioning of the light beam of the spotlights are particularly challenging when different kinds of diamonds, precious metals and jade are on visual presentation. This requires high precision and experience in order to bring out the sparkle and vivid color of each gem stone encrusted on the jewelry and timepieces.

Our ability to provide innovative design ideas enables us to deliver creative solutions to our clients' design needs, including various safety and security considerations. For instance, we have previously made use of fume and special lighting to imitate dancing fire during our client's product exhibition. Our experience extends not only to the area of applicable local fire safety and environmental regulations, but also the unique security specifications and anti-burglary measures specific to our clients. We are also able to provide recommendations to our clients regarding the type of materials for the production of their special jewelry showcases with specific shatter and bullet-proof qualities. Specifically in relation to our long-term client, Graff Diamonds, we worked alongside their head office and developed showcases which incorporated a unique type of shatter-proof glass, which have been tested and certified according to stringent international standards. We believe such design and technical capabilities to create bespoke interior designs contribute to our continued success.

Our strong reputation for high quality services and products

Given that most of our clients are luxury goods and high-end fashion brands, there is a high demand for quality services and products from our clients. The quality of the design, furniture and facade of the boutiques must befit the brand's image and seasonal concept, and it is imperative that the common image is projected in all stores of the brand globally. Our design and creative team has extensive experience in international design standards and the changing market trends, contributing to our ability to provide innovative design solutions of high quality. The members of our design and creative team have an average of eight years of industry experience, and the majority of them have

BUSINESS

obtained bachelor's degree or higher diploma in interior design. Our attention to details and uncompromising standard for quality service have gained us the trusts of our prestigious clients, from high fashion brands to luxury jewelry and watches brands, who engaged us to undertake the design and facade development work of their flagship stores in Hong Kong and globally.

We are the global supplier of in-store furniture of our major clients

As a key player of the interior design industry with a strong focus on luxury brands, our emphasis on quality enabled us to overcome the high entry barrier to this particular sector and gain the trust of our clients throughout the years. As a recognition of our quality services and innovative designs, we have developed and produced in-store furniture and showcases for Client CT, a French luxury jewellery and timepiece brand, and Graff Diamonds worldwide since 2003 and 2009, respectively. In order to become a global supplier of in-store furniture of our clients, we have to go through stringent approval processes. For instance, we had to pass stages of design reviews and mock-ups validations in order to be a global furniture supplier of Client CT. We believe our ability to deliver top-notch services and products will continue to grow our reputation and strengthen our presence as a top interior designer for our high-end clients.

Long-term and well-established relationships with our global clients

We have established long-term relationships with our major global clients. Our relationship with Client A dates back to 2012 when the first store in Hong Kong was opened. We have established business relationships with both Graff Diamonds and Chaumet since 2009, and have provided interior design service and products to their retail boutiques across the globe. For our five largest clients during the Track Record Period, we have established business relationships with them for an average of over five years.

In addition, throughout our years of collaboration with some of the world-famous luxury brands, we were able to work hand-in-hand with their headquarters or owners directly. This has enabled us to develop long-term trust and relationships with our clients and gain better understanding of their expectation. This also allows us to work upstream through their regional offices to reach the headquarters and eventually become their designated interior design service provider for their global retail stores. When these luxury brands decide to expand into a new city or location, instead of engaging local interior design companies, they would continue to engage us as we have demonstrated our ability to provide high quality services and products. As a result, it gives us an invaluable competitive edge over the other local and overseas interior design companies. We believe the long-term relationships with our clients can ensure our business sustainability and continuous growth in the future.

Proven track record in luxury brands interior design projects provide us with competitive edge in pursuing new project opportunities

We believe our longstanding relationships with the global luxury brands provide us with a competitive edge in pursuing new opportunities worldwide, because our clients look to interior designers that can provide high quality and iconic designs to convey their brand images to their customers visiting their retail boutiques. Our growth in gross profit and revenue from June 30, 2013 to June 30, 2015 represented a CAGR of 15.1% and 2.7%, respectively. Because of the existing strong business

BUSINESS

relationships with our clients and market reputation, our client base continues to grow organically through referrals from our clients to their sister brands, as well as by word-of-mouth within the luxury goods sector.

Innovative and custom-made design solutions

Innovation is our core focus that permeates our corporate culture. We believe that our cutting-edge design solutions demonstrate our ability to stay at the forefront of our industry, which are associated with creativity, quality and exclusivity. We are able to capture our clients' conceptual ideas and reflect them into our design solutions and subsequently translate them into actual furnishings and products. The broad exposure of our designers and technicians enables us to draw on our extensive experience in providing effective and bespoke solutions in response to our clients' varying needs and specifications. For each of our projects, our design solutions are tailored to satisfy the specific needs and the particular performance requirements of our clients. In addition, our expertise in creative design solutions and our extensive experience working on projects across the world enables us to make use of alternative materials to achieve the same design outcomes, while taking into account local restrictions on the use of certain materials. For instance, due to fire safety concerns in certain countries, the use of wood as a production material requires stringent approval procedures. We were able to provide creative solutions to Graff Diamonds by making use of metal and developing a unique coating to the millwork, showcase and furniture in order to achieve the same visual effects of wooden fixtures. We have also re-engineered the in-store furniture of Client CT and integrated an array of new innovative features, such as fiber-optic lighting and high technology electric locking security system, into the overall aesthetics and design of its retail stores. We have a strong team of designers and technicians and through their continuous engineering efforts and innovation, we are able to consistently provide high quality and custom-made design solutions to our high-profile clients.

Cost-effectiveness and synergy among our servicing teams

Our interior design solutions strategy ensures that we can actively address our clients' design concerns and resolve any designing issues in a timely and cost-effective manner. Each of our servicing teams, which include our design and creative team, project consultancy team and business development team, collaborates synergistically with one another such that we are able to provide prompt response to our clients' changing demands or modifications requests.

With such synergy, we are also able to put in place cost control measures at each of the design, materials procurement and production stages while maintaining the same high standards and quality required by our clients. For each project, our design and creative team, project consultancy team and business development team are provided with a budget based on our project fees and they are required and have been able to follow closely, so as to control our costs and continuously maintain our profit margin for each project.

Our global penetration reduces our exposure to regional economic downturn

Our high quality and professional services have been well-trusted by a large array of luxury brands worldwide. We have been able to accompany the growth of our clients' businesses and provide services to their retail outlets across the globe. According to the Frost & Sullivan Report, despite the recent economic downturn, global demand for luxury products will maintain an overall growth until 2020. Further, in order to refresh the brand's seasonal image, high-end luxury stores usually revamp the

BUSINESS

interior designs of their retail boutiques every two to six months or relocate their stores to different regions in order to capture sales opportunities from different groups of affluent clientele. The long-term trust and confidence that our clients bestow us have enabled us to benefit not only from their global business development plans but also their adjustment strategies. For instance, owing to the strong ties with our clients, we have been continuously engaged to provide services to their new stores that were opened as part of their expansion or relocation plans. Furthermore, we believe that our well-diverse global presence reduces our reliance on clients from a specific geographic location and reduces our exposure to regional economic downturn. Our strong financial performance during the Track Record Period, notwithstanding the global economic instability in recent years, particularly in the Eurozone countries, demonstrates the resilience of our financial performance and the strength of our business model.

Our experienced, visionary and dedicated management team and innovative design and creative team

Our management team is led by our chairman, chief executive officer and executive Director, Mr. Lee, who has over 25 years in the interior design industry and has been a professional member of various international interior designer associations. Our executive Director, Mr. Leung Pak Yin, has over 17 years of experience in sales and business development and is key to maintaining our strong business relationships with our high-end clientele. Our chief financial officer and executive Director, Mr. Lau King Lok, has over 25 years of experience in accounting, auditing and corporate finance who oversees the financial operation of our Group. For details of the credential and professional experience of our management team, please see the section headed “Directors and Senior Management”.

Our design and creative team is led by our design project director, Mr. Tsang Kam Hung, who has over 25 years of industry experience and has played an important role in spearheading our efforts to provide innovative solutions to our clients and in enhancing our reputation globally. We believe the extensive experience and in-depth knowledge of our management team in the interior design industry and global markets, as well as their ability to seek out new business opportunities and enhance our international profile, will continue to fuel our business growth.

BUSINESS STRATEGIES

We are committed to further deepening our standing as one of the leading providers of high-end interior design solutions. We intend to continue to provide bespoke interior design solutions that enable our clients to materialize their design concepts into the internal layout of their retail boutiques. We plan to accomplish our goal through the following strategies:

Continue to enhance our strong relationships with our existing clients and explore new markets globally

We believe our long established and successful relationships with our existing high-end clients worldwide provide important validation of our innovative and high quality services. We will continue to focus on cooperation with the international luxury brands and leverage on our strong existing relationships and seek new opportunities with our clients’ side-brands. For instance, we are in discussion with an existing high fashion client, Client A, for the opportunities to work with their accessory line and other new business ventures. In addition, most of the prominent luxury brands worldwide fall within the corporate group of several dominating luxury goods conglomerates, such as LVMH, Richemont and

BUSINESS

Kering. Through our previous experience and connections with a large number of brands within the luxury goods conglomerates, we will continue to seek new cooperation opportunities with the other brands within these luxury brands conglomerates.

Further, with our continuous innovative design solutions and technical efforts, we aim to take on larger scale projects with department stores and shopping malls. For instance, we were engaged by a historic and renowned upmarket department store in London, where we will revamp their multi-storey escalator's metal cladding design within the store. The project has commenced in February 2016 and is expected to complete by June 2016.

Expansion of our design and creative team and establishment of research and development center

Human resources and talents are vital to our creative business. Our design and creative team currently consists of seven members, which is led by our design project director, Mr. Tsang Kam Hung, who has over 25 years of industry experience. We aim to expand our team size to a team of eight designers and technicians by the end of 2016. We aim to recruit additional elite and experienced designers which will enable us to take on projects with greater scale. We also aim to recruit designers with more diverse experience in various creative media, which will allow us to enrich our selection of services in the future. We will continue to invest in our human resources and we believe that our expanded team can further fuel our innovation to meet the increasingly sophisticated demands from our clients as well as maximize our business potentials.

We will continue to devote our efforts to enhance our innovation and research and development capabilities. To this end, we intend to establish a research and development center in Hong Kong, with a dedicated team of four engineers. The center will serve as a centralized hub for product and material application testing, developing new technologies and design prototypes, as well as building special lighting and security systems.

Set up a sales and marketing team and overseas offices to further penetrate local and overseas markets

We believe our strong relationships with a large number of prestigious brands provide an important validation of our quality service and innovative design solutions. To further capture market share and expand our client base, we intend to set up a dedicated sales and marketing team, which will be a direct liaison point for our new and recurring clients. Further, we will expand our sales force and direct our marketing efforts in reaching out to potential clients in Hong Kong and overseas to seek new business opportunities. In particular, we intend to explore business opportunities with our existing clients' side brands and product lines, as well as other brands within the same luxury group. In addition, with our enlarged sales and marketing team, it will enable us to tap into new market sectors, such as luxury hotels and high-end department stores, and expand our clientele.

With our strong track record in our existing markets, we plan to leverage on our current business relationships with our clients in key overseas markets and set up subsidiaries in Milan, Beijing, New York and Tokyo as an initial step. They will serve as the main contact points for our overseas clients and enable our target clients to have closer proximity with us. We believe that it will further strengthen the relationships with our clients at their headquarters' level and facilitate liaison for our overseas projects. Moreover, it will enable us to expand our selection of suppliers and keep abreast of the latest development of new trends, technologies and materials. Consequently, the setting up of such overseas

BUSINESS

subsidiaries will not change our Group’s core business model and scope of services. As a following step, depending on the local labor market and talents, we plan to set up local project and design teams overseas to better provide all-rounded solution to our overseas clients.

Pursue suitable acquisition and partnership opportunities

In order to strengthen our leading market position as a high-end interior design solutions provider, we plan to expand our business through both organic growth and strategic acquisitions and partnerships. We intend to selectively invest in or enter into strategic partnerships with other industry players to further broaden our collective expertise and resources. We will only acquire or invest in companies which we consider to have potential for complementing our existing business. Before making a decision on an acquisition or investment, we will carefully consider our options and conduct due diligence. As at the Latest Practicable Date, we have not identified any specific acquisition target or commenced any negotiation for any acquisition.

OUR SERVICES AND PRODUCTS

We provide four major categories of interior design services, each of which may be provided on its own or collectively with other services, to our clients according to their specific demands for each individual project. The majority of our clients are world-renowned luxury goods and high-end and fashion brands with whom we have established long-term relationships. We provide bespoke and total interior design services to our clients, including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy.

The below summarizes the services and products that we provide to our clients in respect of their shop locations during the Track Record Period:

Services and products	Shop locations of our clients		
	Hong Kong	Asian countries (excluding Hong Kong)	Overseas (excluding Asian countries)
Millwork and furniture provision ^{Note 1}	✓	✓	✓
Facade development and fabrication ^{Note 1}	—	—	✓
Interior solutions			
— Fit-out construction	✓	✓ (local contractors were engaged)	—
— Millwork and furniture provision ^{Note 1}	✓	✓	—
— Facade development and fabrication ^{Note 1}	✓	✓	—
Design and project consultancy	—	✓	✓

Note:

- The millwork, furniture and pre-fabricated facades provided were sales of goods in nature.

BUSINESS

We currently employ 28 employees, consisting primarily of interior designers and project managers. We do not do our own manufacturing or fit-out work. During the Track Record Period, our millwork and furniture and facade were produced by our suppliers, while our fit-out work was carried out by our sub-contractors and local contractors.

Millwork and furniture and facade development and fabrication service

In relation to our millwork and furniture provision and facade development and fabrication services, we would provide design concept drawing of the millwork, furniture or facade taking into consideration the client's existing design materials as well as any specifications provided by our clients. Based on our expertise and industry experience, we also provide suggestions to the design and suitable materials to our clients with considerations to factors such as local safety regulations and security concerns. Upon confirmation from our clients, our suppliers will produce the millwork, furniture or facade based on our designs. We maintain stringent quality control on the products provided by our suppliers throughout the production process. For details of our quality control measures, please see the section headed "Business — Quality Control and Warranty — Quality Control".

In addition, during the Track Record Period, we provided millwork and furniture and facade development and fabrication by delivering/exporting the finished products from the supplier's factory to overseas, which were recognized as sales of goods upon delivery.

Interior solutions

We provide interior design solutions to our clients in Hong Kong and other Asian countries. Such services include fit-out construction services, millwork and furniture provision and facade development and fabrication services.

During the Track Record Period, we provided fit-out construction services as the main contractor of the relevant projects in Hong Kong. In relation to other Asian countries, we would engage local fit-out contractors to deliver the fit-out construction services to our clients for the relevant projects. During the Track Record Period, we have not provided any fit-out construction services overseas.

In relation to our fit-out construction related work, we would conduct preliminary design interview with our client to clarify the general design concept once our quotation is confirmed. Initial site survey and site-marking will be carried out to facilitate a more detailed planning. We may be required to procure various materials depending on project requirements. We select materials for each project based on our clients' specification, which is normally either cost or quality driven. The description and type of the proposed materials will be approved by our client prior to material procurement. Once approved by our client, we will issue purchase orders to the selected materials suppliers with the agreed specification of the materials, delivery schedule and terms of payment.

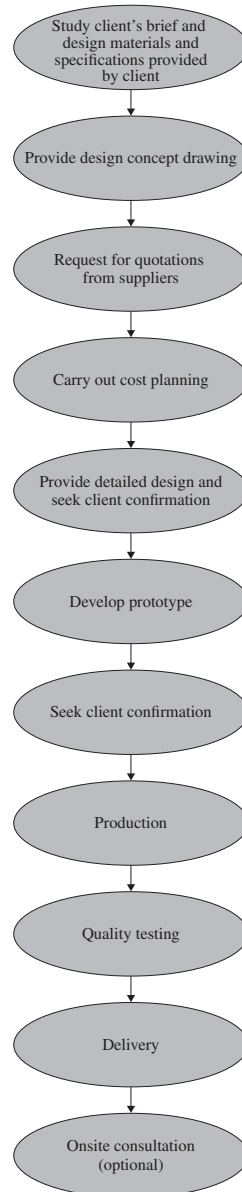
Design and project consultancy

For our design and project consultancy project, we can provide interior design proposal for our clients on our client's concept, or derive a concept based on our client's requirements. Once a project is awarded, our design team would conduct site survey and plan for the interior layout of the design, providing several design options while highlighting each of their pros and cons for our client's consideration.

BUSINESS

For illustrative purposes, the major steps in the operation of our four business segments are outlined as follows:

Millwork and furniture provision



We are often engaged by our clients to design and provide millwork and furniture to complement the overall aesthetics and conceptual elements of the interior layout. This relates solely to the sale of millwork and furniture by Crosstec International to our local and overseas clients and does not include the provision of other services. The millwork and furniture provided by our Group are produced by our suppliers, whose factories are located in the PRC, and the end products are dispatched to the clients' designated locations. Our suppliers are commissioned based on a fixed fee determined on a project-by-project basis, taking into account factors such as the required quantity, complexity of the products, materials and labor costs.

BUSINESS

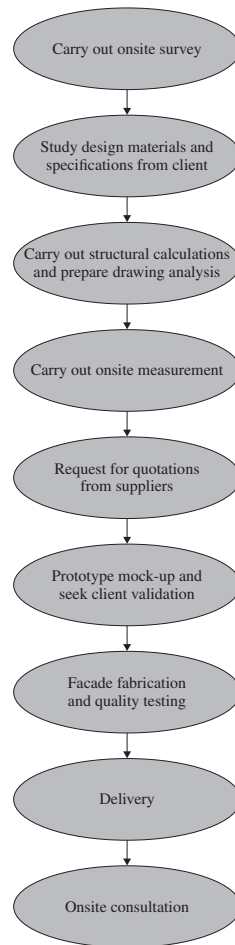
As an initial step, we will prepare furniture design sketches, taking into account the overall design concept and available space. Further, materials to be used for the production of the millwork and furniture will be considered with reference to any environmental or regulatory requirements and specifications. Thereafter, detailed carpentry design will be developed and mockup will be fabricated as prototype for testing and further modifications. Once we have our client's approval, we will commission our supplier to produce the millwork and furniture at our supplier's production facilities. The millwork and furniture produced must meet the particular specifications requested by our clients. Upon satisfactory safety testing and quality-control assessment, the final products will be packaged for transportation to the store location of our clients. Our team will conduct onsite inspection together with our client on a needed basis and the millwork and furniture will be installed by local workers separately engaged by our clients. Finally, onsite testing and commissioning will be conducted to ensure proper installation and fitting. The duration of our millwork and furniture provision projects generally range from five to eight weeks.

The below photographs showcase examples of millwork and furniture that we provide to our clients:



BUSINESS

Facade development and fabrication



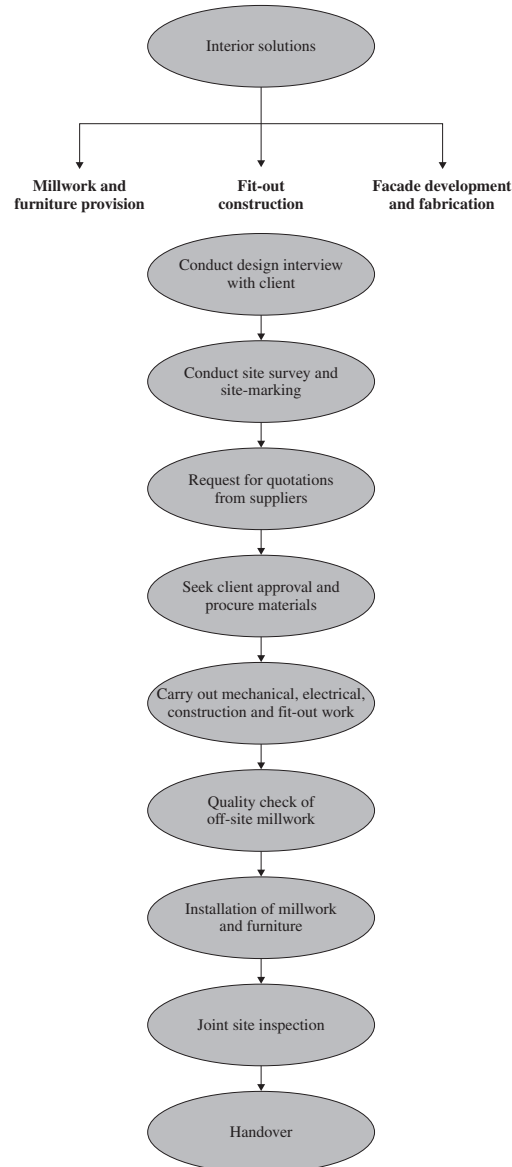
We currently only provide facade development and fabrication services for our overseas projects. A facade refers to the exterior or shopfront of a store. This segment relates solely to facade development and fabrication for our overseas projects.

Once we are awarded a facade development and fabrication project, our design team will carry out structural calculations and prepare blueprints for the facades required by our clients. We will then carry out onsite measurement to verify the analysis and make alterations as appropriate. The materials that we principally use in the facade include metal, glass and marbles. We will commission our suppliers to fabricate the facade. We subject our new suppliers to a stringent pre-qualification process, which generally involves consideration of a number of factors such as the quality control process of the suppliers, production facilities, reputation and price quotations. Prior to fabrication and assembly of the facade, we perform quality assessments on the materials that are delivered to our supplier’s factories for fabrication as well as production methodology. The prototype will be mocked-up and upon the client’s confirmation, the facade is then fabricated and assembled based on the design drawings. Our fabricated products would thereafter be ready to be directly installed at the work sites. Pre-fabrication of the facades enables us to have close control over their quality and also helps to reduce any additional modifications required at the installation stage. Our team will conduct onsite survey and inspection

BUSINESS

together with our client on an as-need basis and the facade will be installed by local workers. Finally, onsite testing and commissioning will be conducted to ensure proper installation and fitting. The duration of our facade development projects generally range from ten to twenty-two weeks.

Interior solutions



As a provider of bespoke interior design solutions, we are able to provide tailored services to our clients in Hong Kong and other Asian countries to fit their needs. Such services include not only millwork and furniture provision and facade development and fabrication services, but also fit-out construction services and the installation of millwork, furniture and facade for our clients.

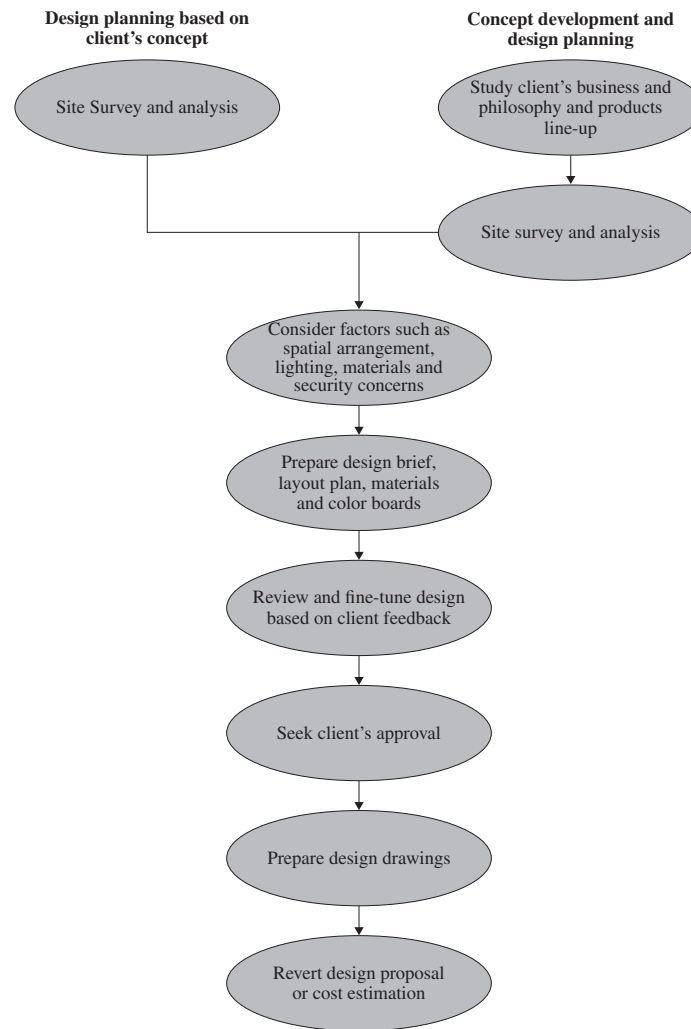
The millwork and furniture provision and facade development and fabrication services that we provide under the interior solutions services follow the same major steps as described above. In relation to our fit-out construction related work, we will conduct preliminary design interview with our client to clarify the general design concept once our quotation is confirmed. Initial site survey and site-marking

BUSINESS

will be carried out to facilitate a more detailed planning. We may be required to procure various materials depending on project requirements. We select materials for each project based on our clients' specification, which is normally either cost or quality driven. The description and type of the proposed materials will be approved by our client prior to material procurement. Once approved by our client, we will issue purchase orders to the selected materials suppliers with the agreed specification of the materials, delivery schedule and terms of payment.

During the Track Record Period, we have provided fit-out construction services as the main contractor of the relevant projects in Hong Kong. In relation to other Asian countries, we would engage local fit-out contractors to deliver the fit-out construction services to our clients for the relevant projects. At the construction stage, the fit-out work will be carried out by our sub-contractors or local contractors. Our foreman will be on-site to conduct quality check and inspection and to ensure our projects are progressing on schedule. All millwork, furniture and facade provided by our Company will be installed as the next step. Practical completion is reached upon client inspection and handover of the worksite. The duration of our interior solutions projects generally range from six to twelve weeks.

Design and project consultancy



BUSINESS

For our design and project consultancy project, we can provide interior design proposal for our clients based on our client's concept, or derive a concept based on our client's requirements.

Once a project is awarded, we will set up a dedicated project consultancy team and initiate discussions with our clients to understand their specific requirements or conceptual idea. Our design team will then conduct site survey and plan for the interior layout of the design, providing several design options while highlighting each of their pros and cons for our client's consideration. Our design also covers the areas of mechanical and electrical planning, and the layout of furniture, decor and other appliances. Our design team utilizes advanced computer software to assist them with their technical drawings and 3D modeling. We will have continuous discussion with our client and modify the plan as necessary to address their specific needs before reverting the final design proposal along with the cost estimation. We aim to deliver a safe, functional, attractive and creative design proposal to our clients with the combination of our designers' creativity and technical knowledge. The duration of our design and project consultancy projects generally range from six to twelve months. The below photographs showcase examples of design proposal that we provide to our clients:



BUSINESS

OUR GLOBAL PROJECTS

Our global footprint

Although we are a small interior design firm in Hong Kong, owing to our continuous emphasis on innovation and providing creative design solutions to our clients, we have been able to take on complicated and unique projects since the early stage of our business. For example, in 2001, we were engaged by Client GG to build the exterior facade of its flagship store at Canton Road, Hong Kong, which was at that time the longest exterior facade of its shops worldwide. In 2003 and 2009, we successfully went through stages of stringent approval processes and became a global furniture supplier of Client CT and Graff Diamonds, respectively. For details of our key business milestones, please see the section headed “History and Reorganization — History and Development — Our Business Milestones”. Through the global retail store platforms of our clients, we were able to establish our business footprints in a large number of cities across the world in a short period of time. During the Track Record Period and up to the Latest Practicable Date, we have completed projects in 67 cities. Each of such projects related to the provision by us of services from one or more of our four categories of interior design services. The following table illustrates the key locations around the world of the projects that we have completed during the relevant period:

BUSINESS



BUSINESS

OUR CLIENTS

The majority of our clients are global luxury goods and high-end fashion brands with retail boutiques across the world. For our five largest clients during the Track Record Period, we have established business relationships with them for an average of over five years. For the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, revenue derived from our five largest clients (by brand name) amounted to approximately 73.7%, 72.2%, 77.8% and 89.3% respectively of the total revenue of our Group, whilst our largest client (by brand name) account for approximately 21.6%, 27.2%, 34.1% and 56.5% respectively of the total revenue of our Group for the same period. Our total number of clients was 30, 26, 34, 36 and 17 respectively, for the three years ended June 30, 2013, 2014 and 2015, the 10 months ended April 30, 2016 and from May 1, 2016 to the Latest Practicable Date, of which two, five, six, five and two were our new client(s) for the same period. The revenue contributed by our new clients was approximately 7.1%, 2.9%, 6.7%, 4.8% and 10.6%, respectively for the three years ended June 30, 2013, 2014 and 2015, the 10 months ended April 30, 2016 and from May 1, 2016 to the Latest Practicable Date.

According to the Frost & Sullivan Report, most of the prestigious luxury brands belong to a small number of luxury conglomerates, whilst the interior design industry is a highly fragmented. As a result, for those interior design solution providers whose clientele focus on the luxury and high-end fashion brands, it is an industry norm that they usually have a concentrated client base, especially when such brands launch a new design concept or marketing campaign in a particular year which entails large-scale renovation and store improvement work.

As our business operations are project-based, it is common in the industry that no long-term contracts are signed between our clients and our Group. Quotations are typically provided to our clients for confirmation on projects-by-projects basis. However, we have established long-term relationship with our major clients for over five years on average and we continue to secure new business from our recurring and existing clients. Therefore, during the Track Record Period, our Group did not take part in any project tendering process, except for one project from one of our major clients, whose store is at the Hong Kong International Airport, which was required by the Hong Kong International Airport instead of our client, to provide tender to obtain the project. Save as disclosed above, during the Track Record Period, our Group was not required to participate in any tendering process to obtain new projects.

In order to leverage on our current business relationships with our clients in key foreign markets, we plan to set up subsidiaries in certain overseas cities. For further information about our overseas plans, please see the sections headed “— Business Strategies — Set up a sales and marketing team and overseas offices to further penetrate local and overseas markets” and “Future Plans and Use of Proceeds”. The profiles of our top five clients (by brand name) during the Track Record Period are set out as follows in no particular order:

Graff Diamonds

Graff Diamonds is a British-based multinational jewelery brand founded in 1960 with over 50 stores worldwide, which specializes in the design, manufacture and retail distribution of high and ultra-high end jewelry and watches, and the sourcing, cutting and polishing of rough diamonds. Our business relationship started since 2009 when we were engaged to provide jewelry showcases and furniture to the retail stores of Graff Diamonds. In 2014, we developed a complete shopfront concept with Graff Diamonds and subsequently installed multi-colored bronze shopfronts in all of their stores around the

BUSINESS

world. We have become the supplier of in-store furniture for its global stores and boutiques since 2009. During the Track Record Period, we have been engaged for millwork and furniture provision, facade development and fabrication and to provide interior solutions to its retail stores.

Client A

Client A is a British-based luxury fashion brand founded in 1992 and a group company of a French luxury goods conglomerate. Along with its contemporary brand, they design, manufacture and distribute women's and men's haute couture and ready-to-wear as well as accessories. Client A operates in over 50 countries around the world through directly operated stores and franchises worldwide, including flagship stores in New York, London, Milan, Los Angeles and Beijing as well as through leading departmental and specialty stores. Our business relationship started in 2012 when we were engaged to develop their retail store in Hong Kong. During the Track Record Period, we have been engaged for millwork and furniture provision, facade development and fabrication and to provide interior solutions to its retail stores.

Client V

Client V is a prestigious watchmaker founded in 1755 and a group company of a Swiss-based luxury goods conglomerate, and has over 50 boutiques in the capital cities around the world. Our business relationship started in 2011 when we were engaged for launching their retail store in Macau. During the Track Record Period, we have been engaged for millwork and furniture provision and to provide interior solutions to its retail stores.

Richard Mille

Richard Mille is a Swiss-based luxury watchmaker established in 1999. Our business relationship started since 2011 when we were engaged to provide millwork and furniture for their largest store in Hong Kong. During the Track Record Period, we have been engaged for millwork and furniture provision and to provide and interior solutions to its retail stores.

Chaumet

Chaumet is a French-based high-end jeweler and watchmaker founded in 1780 and a group company of a French-based conglomerate. It has over 80 stores worldwide which are situated in major capitals and large cities in Europe, the Middle East, Japan and the Asia Pacific region. Our business relationship started since 2009 when we were engaged to participate in their project in Hong Kong International Airport. During the Track Record Period, we have been engaged for millwork and furniture provision, facade development and fabrication and to provide interior solutions to its retail stores.

Client D

Client D is a multinational luxury travel retailer established in Hong Kong in 1960 and a group company of a French-based conglomerate. Client D currently has the largest network of luxury travel retail stores in the world with 420 points of sale across major airports and downtown stores. Our business relationship started since 2004 when we were engaged to provide interior solutions to one of their stores in Hong Kong. During the Track Record Period, we have been engaged for millwork and furniture provision and to provide interior solutions to its retail stores.

BUSINESS

Breitling

Breitling is a Swiss-based luxury watchmaker founded in 1884. It is known as a specialist of technical watches and wrist chronograph. It has over 40 boutiques worldwide including Europe, North and South America, the Middle East, Japan and the Asia Pacific region. Our business relationship started since 2012 when we were engaged to participate in their projects in Beijing. During the Track Record Period, we have been engaged for millwork and furniture provision, facade development and fabrication and to provide interior solutions to its retail stores.

Lancôme

Lancôme is a French luxury cosmetics, skincare and perfume brand established in 1935 and a member of a French-based cosmetics group, with stores in over 160 countries worldwide. Our business relationship started since 2015 where we were engaged to develop boutique furniture for its stores in the United States. During the Track Record Period, we have been engaged for millwork and furniture provision.

Client B

Client B is a French-based high-end jeweler and watchmaker found in 1858 and a group company of a French luxury goods conglomerate, and has over 70 stores and distributors worldwide. Our business relationship started since 2004 when we were engaged to develop their boutique concept worldwide. During the Track Record Period, we have been engaged for millwork and furniture provision and to provide interior solutions to its retail stores.

Client T

Client T is a New York-based jeweler and specialty retailer established in 1837. It has over 300 stores worldwide and its merchandise offerings include an extensive selection of jewelry, as well as timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. Our business relationship started since 2010 when we were engaged to develop loose fixtures for their stores. During the Track Record Period, we have been engaged for millwork and furniture provision.

During the Track Record Period, none of our clients were our connected persons and none of our Directors or their respective close associates (as defined under the [REDACTED]) or any of our Shareholders who to the knowledge of our Directors owned more than 5% of our issued share capital had any interest in our top five clients. In addition, there were no major complaints or material delay during the Track Record Period.

BUSINESS

The details of our top five clients (by brand name) and the geographical breakdown of the revenue contribution for the year ended June 30, 2013 are set out as follows:

Rank	Client	Sales amount <i>HK\$'000</i>	Percentage of total sales	Services provided	Length of relationship
1	Client 1	26,709	21.6%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	5 years
2	Client 2	25,115	20.3%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	1 year
3	Client 3	18,269	14.8%	Millwork and furniture provision and interior solutions to its retail stores	1 year
4	Client 4	12,305	9.9%	Millwork and furniture provision and interior solutions to its retail stores	9 years
5	Client 5	8,728	7.1%	Millwork and furniture provision and interior solutions to its retail stores	8 years
	Total	<u>91,126</u>	<u>73.7%</u>		

Rank	Client	Asia —		Asia —	Europe	Middle		Total sales amount <i>HK\$'000</i>
		Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Others <i>HK\$'000</i>		East	Americas <i>HK\$'000</i>	
1	Client 1	11,058	31	11,373	4,247	—	—	26,709
2	Client 2	25,115	—	—	—	—	—	25,115
3	Client 3	7,314	2,587	3,304	1,078	—	3,986	18,269
4	Client 4	9,941	—	17	2,347	—	—	12,305
5	Client 5	<u>8,728</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,728</u>
		<u>62,156</u>	<u>2,618</u>	<u>14,694</u>	<u>7,672</u>	<u>—</u>	<u>3,986</u>	<u>91,126</u>

BUSINESS

The details of our top five clients (by brand name) and the geographical breakdown of the revenue contribution for the year ended June 30, 2014 are set out as follows:

Rank	Client	Sales amount <i>HK\$'000</i>	Percentage of total sales	Services provided	Length of relationship
1	Client 1	30,945	27.2%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	6 years
2	Client 3	26,963	23.7%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	2 years
3	Client 2	9,283	8.2%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	2 years
4	Client 6	8,223	7.2%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	4 years
5	Client 5	<u>6,681</u>	<u>5.9%</u>	Interior solutions to its retail stores	9 years
	Total	<u><u>82,095</u></u>	<u><u>72.2%</u></u>		

Rank	Client								Total sales amount <i>HK\$'000</i>
		Asia — Hong Kong <i>HK\$'000</i>	Asia — China <i>HK\$'000</i>	Asia — Others <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Middle East <i>HK\$'000</i>	Americas <i>HK\$'000</i>		
1	Client 1	8,189	1,543	6,821	14,392	—	—	30,945	
2	Client 3	8,747	2,223	3,849	473	1,578	10,093	26,963	
3	Client 2	5,326	—	1,040	2,917	—	—	9,283	
4	Client 6	2,951	—	2,055	632	2,585	—	8,223	
5	Client 5	<u>6,681</u>	—	—	—	—	—	<u>6,681</u>	
		<u><u>31,894</u></u>	<u><u>3,766</u></u>	<u><u>13,765</u></u>	<u><u>18,414</u></u>	<u><u>4,163</u></u>	<u><u>10,093</u></u>	<u><u>82,095</u></u>	

BUSINESS

The details of our top five clients (by brand name) and the geographical breakdown of the revenue contribution for the year ended June 30, 2015 are set out as follows:

Rank	Client	Sales amount <i>HK\$'000</i>	Percentage	Services provided	Length of relationship
			of total sales		
1	Client 3	44,592	34.1%	Millwork and furniture provision and interior solutions to its retail stores	3 years
2	Client 1	36,743	28.1%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	7 years
3	Client 6	8,410	6.4%	Millwork and furniture provision and interior solutions to its retail stores	5 years
4	Client 7	6,498	5.0%	Millwork and furniture provision and interior solutions to its retail stores	5 years
5	Client 8	5,532	4.2%	Millwork and furniture provision to its retail stores	3 years
Total		<u>101,775</u>	<u>77.8%</u>		

Rank	Client	Asia —			Middle		Americas	Total sales amount <i>HK\$'000</i>
		Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Others <i>HK\$'000</i>	Europe <i>HK\$'000</i>	East		
1	Client 3	12,505	4,232	13,761	11,266	—	2,828	44,592
2	Client 1	17,790	210	2,729	16,014	—	—	36,743
3	Client 6	7,727	—	683	—	—	—	8,410
4	Client 7	6,498	—	—	—	—	—	6,498
5	Client 8	3,733	—	1,799	—	—	—	5,532
		<u>48,253</u>	<u>4,442</u>	<u>18,972</u>	<u>27,280</u>	<u>—</u>	<u>2,828</u>	<u>101,775</u>

BUSINESS

The details of our top five clients (by brand name) and the geographical breakdown of the revenue contribution for the 10 months ended April 30, 2016 are set out as follows:

Rank	Client	Sales amount <i>HK\$'000</i>	Percentage of total sales	Services provided	Length of relationship
1	Client 1	56,950	56.5%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	8 years
2	Client 3	13,735	13.6%	Millwork and furniture provision and interior solutions to its retail stores	4 years
3	Client 6	9,370	9.3%	Millwork and furniture provision, facade development and fabrication and interior solutions to its retail stores	6 years
4	Client 9	6,358	6.3%	Millwork and furniture provision and interior solutions to its retail stores	3 years
5	Client 10	3,596	3.6%	Millwork and furniture provision to its retail stores	1 year
	Total	<u>90,009</u>	<u>89.3%</u>		

Rank	Client	Asia —		Asia —	Europe	Middle		Total sales amount <i>HK\$'000</i>
		Hong Kong <i>HK\$'000</i>	China <i>HK\$'000</i>	Others <i>HK\$'000</i>		East	Americas <i>HK\$'000</i>	
1	Client 1	2,989	2,927	16,491	34,543	—	—	56,950
2	Client 3	416	1,806	2,448	6,412	—	2,653	13,735
3	Client 6	6,987	—	936	1,447	—	—	9,370
4	Client 9	643	6	5,709	—	—	—	6,358
5	Client 10	—	—	—	—	—	3,596	3,596
		<u>11,035</u>	<u>4,739</u>	<u>25,584</u>	<u>42,402</u>	<u>—</u>	<u>6,249</u>	<u>90,009</u>

BUSINESS

In order to refresh the brand’s seasonal image, high-end luxury stores usually revamp the interior designs of their retail boutiques every two to six months or relocate their stores to different regions in order to capture sales opportunities from different groups of affluent clientele. The following table sets out the breakdown of our revenue during the Track Record Period from (i) revamping the existing stores of our clients; (ii) opening new stores; (iii) stores relocation; and (iv) other causes.

	Year ended June,			10 months ended April 30,
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening of new stores	111,862	100,623	106,141	75,236
Revamping of existing stores	10,590	10,701	8,843	3,007
Stores relocation	—	1,240	14,581	21,940
Others ^{Note 1}	1,315	1,234	1,013	654
Total	<u>123,767</u>	<u>113,798</u>	<u>130,578</u>	<u>100,837</u>

Note:

- Others include repair and maintenance, provision of furniture accessories.

Key terms of quotation

Once we are instructed by our clients for services, we will prepare quotations setting out various key contract terms for their review and approval. Once the quotations are confirmed, we will commence our services accordingly. A summary of the key terms of our quotations is set forth below:

- Scope of service and fees breakdown:* the details of our scope of services and breakdown of fees including the unit price and total price of the facade development and fabrication, millwork and furniture, and interior solutions to be provided by us, as well as other fees regarding packaging and handling, logistics arrangements and fees for our site survey, site inspection and consultation.
- Particulars of the facade, millwork and furniture:* including the quantity, dimensions, production materials, finishes and any additional features of our products such as the inclusion of special lighting system, metal or glass components.
- Payment schedule and production schedule:* payment arrangement with our clients varies depending on the nature, scale and length of the project. Our clients are generally required to pay a percentage of the total contract sum as deposit upon confirmation of the quotation, followed by progress payment, and in certain cases, 5% to 10% of retention fees. For details of the payment schedule, please see the section headed “— Credit Management”.
- Liability caveats:* liability for products and services that are provided by third parties are expressly carved out.

BUSINESS

Pricing

We adopt a cost-plus pricing model. We generally determine the appropriate mark-up, by taking into account our clients’ acceptable range of service price based on our past dealings and a number of other factors such as the scale, complexity and specification of the project (whether it includes new design and production), expected manpower required, project duration, material costs, and sub-contracting costs. We also make reference to the historical fee we received and the prevalent market fee level for similar projects. By keeping our costs at a manageable level, we seek to price our service at a competitive fee point whilst maintaining our profitability.

OUR SUPPLIERS AND SUB-CONTRACTORS

The materials that are used for our business operations primarily include metal, glass, lighting and wooden furniture which accounted for approximately 65.1%, 65.6%, 64.9% and 85.7% of our total direct costs in the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively. Our largest supplier accounted for approximately 23.2%, 32.5%, 25.8% and 38.4% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively. The purchases from our five largest suppliers accounted for approximately 46.3%, 55.0%, 49.3% and 55.9% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 respectively.

As at the Latest Practicable Date, we have a pool of over 50 suppliers and sub-contractors from which we select for our projects. This pool of suppliers are reviewed and updated on an ongoing basis by our management according to the quality, pricing and production schedule of the materials and services provided. Our suppliers and sub-contractors are mostly located in Hong Kong, Macau and China.

We primarily engage our suppliers and sub-contractors to provide (i) fit-out services; (ii) millwork and furniture provision; and (iii) facade development and fabrication services. Our fit-out services sub-contractors in Hong Kong, generally provide construction services such as electrical, carpentry and mechanical work. Save for the registration of Minor Work Contractors which may be required for certain type of construction work, our fit-out sub-contractors in Hong Kong are not required to hold any particular license for the provision of services. Our suppliers provide processing and manufacturing services for our millwork and furniture products and facade development and fabrication. To ensure the quality of our products and services, we normally procure certain main raw materials used by our suppliers for their use in producing our products based on our designs and instructions. For details in relation to our services and products, please see the section headed “— Our Services and Products”.

We generally do not enter into long term contracts with our suppliers and sub-contractors and our orders are placed on an as-needed basis depending on the project schedule. We have established long term relationships with our five largest suppliers and sub-contractors for over six years on average. Over the years, we have been working closely with them and have maintained good relationships. Our Directors believe that we do not place undue reliance on any of our suppliers or sub-contractors as we have alternative sources for all major materials and services. During the Track Record Period, we have not encountered any material difficulties in procuring materials or services and we have not experienced any significant delay in the delivery of materials or provision of services by our suppliers and sub-contractors which caused material disruption to any of our projects.

BUSINESS

The details of our top five suppliers and sub-contractors for the year ended June 30, 2013 are set out as follows:

Rank	Supplier/sub-contractor	Purchase amount <i>HK\$'000</i>	Percentage of total purchase amount	Product/service provide	Length of relationship
1	Supplier YK	20,981	23.2%	metal	over 8 years
2	Max Contracting	7,897	8.7%	wooden furniture	over 12 years
3	Sub-contractor D	5,039	5.6%	fit-out	3 years
4	Sub-contractor A	4,259	4.7%	fit-out	over 6 years
5	Supplier YW	<u>3,685</u>	<u>4.1%</u>	glass	over 7 years
	Total	<u><u>41,861</u></u>	<u><u>46.3%</u></u>		

The details of our top five suppliers and sub-contractors for the year ended June 30, 2014 are set out as follows:

Rank	Supplier/sub-contractor	Purchase amount <i>HK\$'000</i>	Percentage of total purchase amount	Product/service provide	Length of relationship
1	Supplier YK	24,923	32.5%	metal	over 8 years
2	Max Contracting	8,212	10.7%	wooden furniture	over 12 years
3	Supplier YW	4,537	5.9%	glass	over 7 years
4	Supplier C	2,632	3.4%	lighting	6 years
5	Sub-contractor LS	<u>1,903</u>	<u>2.5%</u>	fit-out	over 6 years
	Total	<u><u>42,207</u></u>	<u><u>55.0%</u></u>		

BUSINESS

The details of our top five suppliers and sub-contractors for the year ended June 30, 2015 are set out as follows:

Rank	Supplier/sub-contractor	Purchase amount <i>HK\$'000</i>	Percentage of total purchase amount	Product/service provide	Length of relationship
1	Supplier YK	22,309	25.8%	metal	over 8 years
2	Max Contracting	7,634	8.8%	wooden furniture	over 12 years
3	Supplier YW	4,613	5.4%	glass	over 7 years
4	Supplier C	4,576	5.3%	lighting	6 years
5	Supplier P	<u>3,431</u>	<u>4.0%</u>	metal	over 2 years
	Total	<u><u>42,563</u></u>	<u><u>49.3%</u></u>		

The details of our top five suppliers and sub-contractors for the 10 months ended April 30, 2016 are set out as follows:

Rank	Supplier/sub-contractor	Purchase amount <i>HK\$'000</i>	Percentage of total purchase amount	Product/service provide	Length of relationship
1	Supplier YK	25,037	38.4%	metal	over 8 years
2	Supplier C	3,455	5.3%	lighting	6 years
3	Max Contracting	3,025	4.6%	wooden furniture	over 12 years
4	Supplier P	2,471	3.8%	metal	over 2 years
5	Supplier YW	<u>2,464</u>	<u>3.8%</u>	glass	over 7 years
	Total	<u><u>36,452</u></u>	<u><u>55.9%</u></u>		

Max Contracting

Max Contracting is a Hong Kong-based company with manufacturing facilities in Shenzhen, with whom we have started our business relationship since 2003. During the Track Record Period, it is our main supplier for woodwork. Our chairman, Mr. Lee, owns approximately 33.3% shareholding in Max Contracting. Thus, Max Contracting is a connected person of our Group and our transactions after [REDACTED] will constitute continuing connected transactions. For details in relation to our continuing connected transactions with Max Contracting, please see the section headed “Connected Transactions”.

Save as disclosed above, during the Track Record Period, none of our suppliers were our connected persons and none of our Directors or their respective close associates (as defined under the [REDACTED]) or any of our Shareholders who to the knowledge of our Directors owned more than 5% of our issued share capital had any interest in our top five suppliers.

BUSINESS

SALES AND MARKETING

As at the Latest Practicable Date, our business development team has a team of two staff (including one staff from our management team) and is led by our Chairman, Mr. Lee and our executive Director, Mr. Leung Pak Yin, who has over 17 years of relevant experience. Our business development team is primarily responsible for devising short and long-term business goals, building client relationships, identifying business opportunities and maintaining up-to-date market information. They are also responsible for liaising with our clients and collecting their feedback.

Our chairman, Mr. Lee, leads staff from different departments within our Group to assist in the marketing and promotion of our brand and our business. Through his personal network and our reputation and extensive experience in the industry, we have already cumulated an extensive list of prestigious clients, who engage us regularly for their new projects. As our quality is highly recognized by our clients, we also receive referrals from our existing clients, contractors, suppliers and even other industry players from time to time. As part of our business strategy, we intend to set up a dedicated sales and marketing team to further penetrate local and overseas markets. For further details, please see the section headed “— Business Strategies”.

QUALITY CONTROL AND WARRANTY

Quality control

We believe that the quality of our products and services has not only been a key to our success, but is also crucial to our future prospects. We rigorously monitor our products and services to ensure they achieve our high quality standards:

- For our facade development and fabrication service, we engage registered structural engineers to conduct structural calculations and cross-check against our design features to ensure that they are in compliance with the requirements of local authorities.
- For millwork and furniture production services provided by our suppliers, we maintain regular contact with these suppliers to ensure that they have a comprehensive understanding of our requirements. We also conduct stringent quality control to ensure the products are produced according to our design with the exact dimensions, color, finishes and fire-resistant properties.
- For our design and project consultancy service, site foremen are present onsite to ensure the construction is done consistent with design drawings.
- In relation to the fit-out services provided by our contractors, each of our projects has a designated supervisor and safety officer, who are onsite throughout the construction period to monitor the quality of their services.

BUSINESS

On top of our internal quality control procedures, we have received international certifications for our quality assurance programs and management systems. The following table sets forth a summary of the major test standards that we have satisfied and certifications that we have received:

Certification	Description	Since	Latest validity period
ISO 9001	Certification for our quality management system in connection with the manufacturing and design of furniture	2004	August 17, 2016 to September 15, 2018
ISO14001	Certification for our quality management system in connection with the design and project consultancy of fitting out services with millwork furniture	2014	July 20, 2014 to July 19, 2017

Warranty

For our millwork and furniture provision services, we generally provide three to six months of warranty period where we provide spare parts for damages caused by normal wear and tear. For our interior solutions projects in Hong Kong, we generally provide six to twelve months of defects liability period where we conducted onsite inspection and provide solutions when issues relating to our products arise. During the Track Record Period, in the event that the materials and products provided by our suppliers were defective, these items would be replaced by our suppliers. For the fit-out construction services provided by the sub-contractors of the Company, any defects would be rectified by the relevant sub-contractor. Since April 2016, the majority of the quotations with our suppliers and sub-contractors have contained a standard back-to-back defect liability clause generally covering a period from six to twelve months.

During the Track Record Period, we have not experienced any warranty claims from our clients that had a material adverse impact on us and did not incur any warranty expenses.

BUSINESS

CREDIT MANAGEMENT

In relation to our services fees, they are paid by stages according to the progress of the projects. We determine the credit period of our clients based on our business relationship, credit records and current market conditions. During the Track Record Period, our services fees are paid according to the following schedule:

Service	Stage			
	Quotation confirmation	Upon delivery of products	Installation completion	Retention fee⁽²⁾
Millwork and furniture provision ⁽¹⁾	30%–60%	40%–70%	—	—
Facade development & fabrication ⁽¹⁾	40%–60%	30%–40%	0%–25%	5%
				Completion of Rectification works/
	Quotation confirmation	Progress payment⁽³⁾	Practical completion	Retention fee⁽²⁾
Interior solutions	40%–70%	20%–40%	10%–40%	5%–10%
				Upon reverting the design proposal
	Contract confirmation	Design confirmation	Retention fee⁽²⁾	
Design and project consultancy	45%–50%	40%–50%	5%–10%	0%–5%

Notes:

- (1) The fees will have to be paid mainly in full upfront for any additional order, or 50% upon quotation confirmation and 50% upon completion.
- (2) As a common industry practice, a portion of the fees may be withheld by our clients as retention money which will be released after the expiry of any warranty or defects liability period, which generally lasts for three to twelve months.
- (3) Progress payment is paid at the halfway point of the project’s duration.

Our service fees during the Track Record Period were made and settled by way of bank transfer or cheques and is mainly denominated in Hong Kong dollars and occasionally in US dollars. Our accounting and finance team is responsible for preparing our invoice at each stage of the project when payment is due, as well as monitoring the settlement status of our accounts receivables. In the event that there is an overdue balance, our accounting and finance team will liaise with our clients to seek prompt settlement of the overdue balances.

BUSINESS

We have made bad debt provision during the Track Record Period, please refer to the section headed “Financial Information — Discussion of Selected Statement of Financial Position Items” for further details.

Our suppliers generally grant us an average credit period of 30 to 90 days and our sub-contractors of fit-out services do not offer us credit period. During the Track Record Period, except for one client to whom we granted 60 days credit period, we did not grant credit period to our clients.

INVENTORY MANAGEMENT AND LOGISTICS

Our materials required for each individual project are procured on an as-needed basis. In addition, once they are procured, they are directly delivered to our millwork and furniture suppliers for production.

The logistics arrangements are primarily designated and paid for by our clients. Once our products are ready for delivery or shipment, we will make logistic arrangement for our client and prepare shipping documents for customs clearance.

RESEARCH AND DEVELOPMENT

As a key player in the luxury goods and high-end fashion brands interior design industry, our research and development capabilities as well as innovation serve to maintain our competitiveness. Our research and development activities are overseen by our project consultancy team and business development team. Depending on the particular research focus, members from our design and creative team and project consultancy team also take part in the process. We intend to expand our team and set up a research and development center in Hong Kong to achieve more extensive research results. For details, please see the section headed “— Our Strategies”. The following are research and development activities that we are currently focusing on:

- maximizing the utilization of hardware and off-the-shelf products, as well as cost effectiveness;
- devising lighting system to complement and accentuate our clients’ products by using energy-conserving products;
- devising alternative materials and finishes with enhanced safety, stability and durability; and
- enhancing our facade development and fabrication and installation methodologies.

KEY LICENSE

We are registered under the Buildings Ordinance as a Registered Minor Works Contractor (Company), and we are qualified to carry out certain minor works under our Type A (Alteration and Addition Works) Class II and Class III registration. The license enables us to conduct minor works in relation to, among others, supporting structure for air-conditioner, removal of architectural project and repair of structural elements. Crosstec International Limited is the registrant of the license and is valid from June 9, 2015 through to June 25, 2018.

BUSINESS

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the overall interior design market in Hong Kong is fragmented with a great number of small to medium scale interior designer companies, which provide a limited scope of design or construction services. In particular, entry to the interior design market with total design solutions for luxury goods and high-end fashion brands are higher. Luxury brands look to interior designers that can offer one-stop solutions to their needs while providing high quality products and services and innovative designs. We believe our excellent reputation, market knowledge and ability to provide bespoke total solutions is key to our success and competitiveness. For further details on the landscape of the interior design industry, please see the section headed “Industry Overview”.

PROPERTIES

As at the Latest Practicable Date, we do not own any real property. The following sets out the addresses, approximate gross floor areas and the terms of the properties leased by us as at the Latest Practicable Date:

Address	Usage	Approximate gross floor area	Term	Monthly rent
Suite 1205, 12th Floor, 625 King’s Road, Hong Kong	Office	1,878 sq. ft.	From November 12, 2015 to November 11, 2018	HK\$57,280 ⁽¹⁾
Suite 1505, 15th Floor, 625 King’s Road, Hong Kong	Office	2,471 sq. ft.	From October 1, 2013 to September 30, 2016 From October 1, 2016 to November 11, 2018	HK\$69,188 ⁽²⁾ HK\$77,840 ⁽³⁾
Room 523, 5th Floor, Fumin Building, Renmin Road, Quanlan Sub-district, Shenzhen, PRC (深圳市觀瀾街道人民路 富民大廈5樓523室) ⁽⁵⁾	Office	47.35 m ²	From August 1, 2015 to July 31, 2017	RMB1,657 ⁽⁴⁾

Notes:

- (1) The monthly rent is exclusive of the air-conditioning and management charges of HK\$9,770 per month (subject to adjustment).
- (2) The monthly rent is exclusive of the air-conditioning and management charges of HK\$12,355 per month (subject to adjustment).
- (3) The monthly rent is exclusive of the air-conditioning and management charges of HK\$12,850 per month (subject to adjustment).

BUSINESS

- (4) The monthly rent is inclusive of management fees.
- (5) The landlord failed to provide valid building ownership certificates for our leased office. As advised by Beijing Jingtian & Gongcheng Law Firm, our PRC legal advisors, should there be any dispute as to the land ownership, our lease could be challenged and deemed invalid. We believe that, as confirmed by Beijing Jingtian & Gongcheng Law Firm, since the property is mainly leased as an office, should such incident occurs, we are able to lease an alternative office in short notice and there will not be any material impact to our operation.

EMPLOYEES

Human resources and talents are vital to our creative business. We provide attractive remuneration package, insurance benefits, training opportunities and clear career path with promotion opportunities to our employees. As at the Latest Practicable Date, we had a total of 28 employees, all of whom are based in Hong Kong. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

As at the Latest Practicable Date

Management	4
Human resources and administration	3
Accounting and finance	4
Design and creative team	7
Business development	2
Project consultancy	<u>8</u>
Total	<u><u>28</u></u>

BUSINESS

As part of our business expansion as well as in preparation for the [REDACTED], the total number of our employees has increased as a whole during the Track Record Period. We consider that our overall manpower have been stable throughout the Track Record Period. The departure of certain employee(s) during the Track Record Period did not have a material impact on us, as we were able to recruit new staff to join us without disruption to our daily operations. The following table sets out the increase in headcount and the employee(s) turnover of our various teams during the Track Record Period:

	For the year ended/As at June 30,			For the	As at the	Reasons for the increase in headcount Notes
	2013	2014	2015	10 months ended/As at April 30, 2016	Latest Practicable Date	
Management						
Number of employees	3	3	3	4	4	1, 4
Employee(s) turnover rate ⁱ	0	0	0	0	0	
Human resources and administration						
Number of employees	2	1	1	3	3	2, 4, 6
Employee(s) turnover rate ⁱ	50%	0	0	33%	0	
Accounting and finance						
Number of employees	1	1	1	4	4	1, 4
Employee(s) turnover rate ⁱ	0	0	0	0	0	
Design and creative team						
Number of employees	4	4	5	7	7	3, 4
Employee(s) turnover rate ⁱ	25%	0	0	57% ⁱⁱ	0	
Business development						
Number of employees	2	2	2	2	2	1, 4
Employee(s) turnover rate ⁱ	0	0	0	0	0	
Project consultancy						
Number of employees	7	7	7	8	8	1, 3, 4, 5
Employee(s) turnover rate ⁱ	0	14%	0	0	0	
Total number of employees	19	18	19	28	28	

Notes:

- i Employee turnover rate was calculated by dividing the total number of employees who left the Group during the period by the total number of employees of the Group at the period end
- ii Four employees resigned during this period mainly due to (i) termination of the employment of three junior staff who did not successfully pass their probation period; and (ii) one interior designer resigned due to his personal reasons

BUSINESS

1. Due to enhanced financial and internal control in preparation of the [REDACTED]
2. Due to the enhancement of our information technology systems, including building an intranet platform, rebuilding our website and establishing a new accounting system
3. Due to the clients’ project requirements
4. Due to our organic growth and expansion
5. Due to further enhancing the quality of our services to our clients
6. Due to the resignation of an intern

INSURANCE

All of our interior solutions projects in Hong Kong are protected by contractor’s all-risks insurance taken out by us. Such insurance policy generally extends throughout the entire contract period, including the defect liability period following completion of the relevant project. We have also maintained employees’ compensation insurance for our employees in accordance with the laws and regulations in Hong Kong. For details, please see the section headed “Regulatory Overview”. During the Track Record Period, we have not made any material claim on the insurance taken out by us. Our Directors confirm that the above insurance coverage is adequate for the operation of our business and in line with the industry norm.

WORK SAFETY AND ENVIRONMENTAL MATTERS

We believe that it is essential for us to be as environmentally responsible as possible in the execution of our projects. The fit-out construction services provided by our sub-contractors in Hong Kong are subject to certain laws and regulations related to environmental protection. For details, please refer to the section headed “Regulatory Overview”. During the Track Record Period, the fit-out services provided by our sub-contractors in Hong Kong, they are in compliance with all applicable laws and regulations related to environmental protection and have obtained all the required permits and approvals where applicable.

In each of our interior solutions projects in Hong Kong, we have a qualified safety supervisor approved by the Labour Department in Hong Kong onsite to monitor the safety condition. To the best of our ability, we require our sub-contractors to abide by all safety laws, rules, regulations, measures and procedures as well as all safety requirements under all current enactments relating to their works. During the Track Record Period, no material injury or fatal accidents were recorded on the project sites.

INTELLECTUAL PROPERTY

We have applied for the registration of certain trademarks in Hong Kong. For details, please see the section headed “— Further Information about the Business — Intellectual property rights of our Group” of Appendix V to the document. We currently do not hold any other intellectual property rights.

BUSINESS

BUSINESS ACTIVITIES IN LEBANON AND RUSSIA

The U.S. and other jurisdictions or organizations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we provided furniture to our clients, which was eventually delivered to Lebanon and Russia, which are subject to certain international sanctions prohibiting dealing with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia. The amount of total revenue derived from sales of furniture to Russia and Lebanon represented approximately 0.1%, 0.1%, 4.6% and nil of our total revenue for each of three years ended June 30, 2015 and the 10 months ended April 30, 2016 respectively.

As advised by Hogan Lovells, our legal advisors as to International Sanctions laws, based on the following procedures conducted by them, the delivery of our products to Lebanon and Russia during the Track Record Period do not implicate the applicability of International Sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the [REDACTED], [REDACTED] and [REDACTED]:

- (a) reviewed documents provided by us that evidence the delivery of our products to Lebanon and Russia during the Track Record Period;
- (b) received written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are the subject of International Sanctions; and
- (c) reviewed the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organizations subject to International Sanctions, and confirmed that none of our customers are on such lists.

In relation to the delivery of our products to Lebanon and Russia during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the U.S., the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations. Our Directors undertake not to enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the [REDACTED], [REDACTED] or [REDACTED] to risk of being sanctioned. Our Directors do not expect any significant increase or decrease in our Group's sales to Lebanon and Russia upon [REDACTED].

Our undertakings and internal control procedures

We undertake to the [REDACTED] that we will not use the proceeds from the [REDACTED], as well as any other funds raised through the [REDACTED], to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the United Nations or Australia, including, without

BUSINESS

limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the [REDACTED], [REDACTED], [REDACTED] or our Shareholders and investors to violate or become a target of sanctions laws of the U.S., the EU, the United Nations or Australia. Further, we undertook to the [REDACTED] that we would under no circumstances use the proceeds from the Share Offer or any other funds raised through the [REDACTED] (the "Monies"), directly or indirectly, to finance or facilitate any projects or businesses in the Sanctioned Countries. We will also disclose on the respective websites of the [REDACTED] and our Group if we believe that the transactions our Group entered into in the Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and [REDACTED] to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and with Sanctioned Persons and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we were in breach of such undertakings to the [REDACTED], we risk the possible [REDACTED] of our Shares on the [REDACTED].

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this document:

- we have set up and maintained a separate bank account, which is designated for the sole purpose of the deposit and deployment of the Monies;
- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Heng Ching Kuen Franklin, Mr. So Chi Hang and Mr. Lau King Lok, and their responsibilities include, among others, monitoring our exposure to sanctions law risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to sanctions law risks;
- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. According to our internal control procedures, the risk management committee needs to review and approve all relevant business transaction documentation from customers or potential customers from Sanctioned Countries and with Sanctioned Persons. In particular, the risk management committee will review the information (such as identity and nature of business) relating to the counterparty to the contract along with the draft business transaction documentation. The risk management committee will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Sanctioned Countries or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions law matters;

BUSINESS

- in order to ensure our compliance with those undertakings to the [REDACTED], our Directors will continuously monitor the use of proceeds from the [REDACTED], as well as any other funds raised through the [REDACTED], to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons;
- the risk management committee will periodically review our internal control policies and procedures with respect to sanctions law matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions law matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programs relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

To monitor our exposure to sanctions risk and to ensure compliance with the undertakings to the [REDACTED], we have adopted the internal control measures, including the measures described above. With regard to the internal control measures set out above, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to sanctions laws. Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to sanctions laws.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal proceedings and non-compliance matters

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration, administrative proceedings (including any bankruptcy or receivership proceedings) or non-compliance matters that we believe would have a material adverse impact on our business, results of operations, financial condition or reputation. We have put in place internal control system and procedures to ensure our continuous regulatory compliance. However, we may from time to time become a party to various legal, arbitration, administrative proceedings arising in the ordinary course of our business.

BUSINESS

INTERNAL CONTROL

Our internal control system and procedures are designed to meet our specific business needs and to minimize our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and reduce the impact of risks which are relevant to our business and control our daily business operations. In order to ensure sound implementation of our risk management and internal control policies, we have also adopted various on-going measures as set out below:

- we have engaged Richard Poon & Partners Risk Management Limited as our internal control consultant to perform internal controls review in connection with our internal control policies;
- we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters;
- we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections; and
- we will provide internal training to staff as appropriate in order to enable them to follow the internal control and corporate governance procedures.

We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], Mr. Lee and Ms. Leung, through their jointly owned investment holding company CGH (BVI), will each control more than 30% of our Company’s issued share capital. For the purpose of the [REDACTED], Mr. Lee, Ms. Leung and CGH (BVI), are our Controlling Shareholders. Mr. Lee and Ms. Leung, given their spousal relationship, are presumed to be acting in concert under the Takesovers Code. During the Track Record Period, Mr. Lee and Ms. Leung have been acting in concert as a group of controlling shareholders and will continue the same going forward. As a result, Mr. Lee and Ms. Leung are presumed to be collectively cooperate in the management and control of our Group through their shareholding in CGH (BVI).

Apart from our Company, Mr. Lee and Ms. Leung, either collectively or individually, control a number of companies which are investment holding in nature, dormant or are engaged in businesses other than the interior design services business, The following table sets forth the companies controlled by our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date:

	Name	Place of incorporation	Principal business	Shareholding as at the Latest Practicable Date
1	Amersham 1126 Limited	Hong Kong	Investment holding	50% by Mr. Lee and 50% by Ms. Leung
2	Wealthmood Limited	Hong Kong	Investment holding	100% by Mr. Lee
3	Cross Design Limited <i>(Note (a))</i>	Hong Kong	Interior design; in the process of deregistration	50% by Mr. Lee and 50% by Ms. Leung
4	COL Concepts International Limited <i>(Note (b))</i>	Hong Kong	Consultancy services; in the process of deregistration	50% by Mr. Lee and 50% by Ms. Leung
5	Crossmax Design (Macau) Limitada	Macau	Interior design and decoration business; ceased business on October 14, 2014 and deregistered on May 31, 2016	50% by Mr. Lee and 50% by independent third parties

Notes:

- (a) Cross Design Limited has ceased business since 2002.
- (b) COL Concepts International Limited has never commenced business since its incorporation on October 13, 2009.

Our Directors are of the view that the business conducted by these other companies controlled by Mr. Lee and Ms. Leung are not, directly or indirectly, in competition with the business of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at Latest Practicable Date, we had a banking facility of HK\$20.0 million that had not been utilized and was available for drawdown. The banking facility was secured by the unlimited personal guarantees executed by Mr. Lee and Ms. Leung, our Controlling Shareholders, and a charge over deposits of amount ranged from nil to HK\$15.0 million maintained at all times depending on the drawdown amount. Approval-in-principle has been obtained that all personal guarantees given by Mr. Lee and Ms. Leung, our Controlling Shareholders, in favor of this banking facility will be fully released and discharged upon [REDACTED].

Save as disclosed above, there is no other person who, immediately following completion of the [REDACTED], will be directly or indirectly interested in 30% or more of the Share then in issue.

Each of our Controlling Shareholders has given an irrevocable non-disposal undertaking to extend the lock-up period for 36 months from the [REDACTED] in favor of the [REDACTED], our Company, the Sole Sponsor and the [REDACTED], and will not during the same period, among others, cease to be a controlling shareholder (within the meaning defined in the [REDACTED]) of our Company. Such undertaking is voluntary in nature. Please see the section headed “Underwriting — [REDACTED]” for details.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to the business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and credit profile to support our daily operations.

(ii) Operational independence

Our Group has established our own organizational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates. Our Directors are of the view there is no operational dependence on our Controlling Shareholders.

Our Directors consider that our Controlling Shareholders have taken all practicable steps to avoid competition with our Group and that our Controlling Shareholders will enter into a deed of non-competition with our Group. They are satisfied that our Controlling Shareholders will not be engaged in material competition with our Group. Details of the deed of non-competition are set out in the paragraph headed “Non-competition undertaking” in this section.

Max Contracting is a Hong Kong-based company with manufacturing facilities in Shenzhen, with whom we have started our business relationship since 2003. During Track Record Period, it is our main supplier for woodwork. Max Contracting is owned as to approximately 33.3% by Mr. Lee, and approximately 33.3% by each of Mr. Wong Ping Kwan (黃炳坤) and Mr. So Kam Kong

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(蘇錦曠), both of which are independent third parties to our Group. Thus Max Contracting is a connected person of our Group and our transactions after [REDACTED] will constitute continuing connected transactions. For details in relation to our continuing connected transactions with Max Contracting, please see the section headed “Connected Transactions”.

Max Contracting is excluded from our Group because it mainly engages in the manufacturing of woodwork, which is different from the business of our Group, being the total solution of interior designing services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Our Group has never been involved in the manufacturing business since its establishment in 1999. As our Group and Max Contracting are engaging in different business, there is no competition between our Group and Max Contracting.

In relation to the provision of furniture and millwork, our Group is responsible for the designing of the furniture and the manufacturing is subcontracted to subcontractors such as Max Contracting, which manufactures the furniture according to the design and specifications provided by our Group. The designing and the manufacture of furniture are separated and different. In addition, Max Contracting’s senior management and daily operations are clearly delineated from our Group. Even though Mr. Lee serves as a director of Max Contracting, Mr. Lee has always been a passive investor and has not been involved in the daily operations and management of Max Contracting except for being one of the signatories of the bank accounts since May 2011. Mr. Lee has ceased to be the bank signatory of Max Contracting by the end of April 2016.

Saved as disclosed above, no Director or employee of our Group has been involved in the daily management of Max Contracting since the incorporation of Max Contracting in 1998, and there is no sharing of financial and operational resources between Max Contracting and our Group. Each of our Group and Max Contracting has separate office premises and an independent management team to carry out and implement their own policies and strategies during the Track Record Period and in the future.

Our Company further confirms that all clients (by contracting party) of our Group during the Track Record Period were not the clients of Max Contracting.

As a result of the foregoing, our Directors are of the view that Max Contracting should be excluded from the Group.

In view of the above and considering the operations of our Group as a whole, our Directors are of the view that there is no operational dependence on our Controlling Shareholders.

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of its overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Company has an independent management team, which is led by a team of senior management with substantial experience and expertise in its business, to implement our Group’s policies and strategies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his fiduciary duties as a director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. Our Directors are of the view that our Board and senior management are capable of managing our Group’s business independently from our Controlling Shareholders.

RULE 8.10 OF THE [REDACTED]

Save as otherwise disclosed, our Controlling Shareholders, our Directors and their respective associates do not have any interest in a business apart from our Group’s business which competes and is likely to compete, directly or indirectly, with our Group’s business and would require disclosure under Rule 8.10 of the [REDACTED].

NON-COMPETITION UNDERTAKING

On August 22, 2016, our Controlling Shareholders entered into the deed of non-competition (“**Deed of Non-competition**”) in favor of our Company, pursuant to which our Controlling Shareholders irrevocably undertake to us that they will not and will procure their close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group, being interior design business (“**Restricted Business**”) or own any rights or interests in such business.

Our Controlling Shareholders have further irrevocably undertaken that during the Restricted Period (as defined below), they should and will procure their close associates (except any member of our Group) (the Controlling Shareholders and their close associates together, “**Offeror**”) to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities (“**New Business Opportunities**”) related to the Restricted Business become available to the Offeror:

- (i) the Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing (“**Offer Notice**”) about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (ii) Upon receipt of the Offer Notice, our independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

whether they are in the best interest of our Shareholders. We must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about our decision on whether the New Business Opportunities will be pursued.

- (iii) Only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with the Restricted Business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in [REDACTED] companies other than our Group, with the following conditions being satisfied:
 - (a) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
 - (b) our Controlling Shareholders and/or their close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and our Controlling Shareholders and/or their close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-competition, the restricted period ("**Restricted Period**") refers to the period commencing from the [REDACTED] and ending on the following dates (whichever is earlier):

- (i) the date when our Shares cease to be [REDACTED] on the [REDACTED]; and
- (ii) the date when our Controlling Shareholders cease to be controlling shareholders of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our [REDACTED] Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Directors — Independent non-executive Directors” in this document; and
- (d) we have appointed Kingsway Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable [REDACTED] including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the [REDACTED]) during the Track Record Period. Following the [REDACTED], the transactions contemplated under such agreements will constitute our continuing connected transactions under the [REDACTED].

CONNECTED PERSONS

Following the [REDACTED], the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Max Contracting: Mr. Lee, an executive Director and Controlling Shareholder of our Company, holds approximately 33.3% equity interest in Max Contracting and is therefore an associate of Mr. Lee. Accordingly, Max Contracting is a connected person of our Group.

Max Furniture: Max Furniture Shenzhen Company Limited (宏大家俱(深圳)有限公司) (“**Max Furniture**”), a wholly-owned subsidiary of Max Contracting, is also a connected person of our Group.

Wealthmood: Mr. Lee, an executive Director and Controlling Shareholder of our Company, holds 100% equity interest in Wealthmood and is therefore an associate of Mr. Lee. Accordingly, Wealthmood is a connected person of our Group.

CONTINUING CONNECTED TRANSACTIONS

Fully Exempt Continuing Connected Transactions

Car Rental Agreement

Background: During the Track Record Period, we had historically been using a car owned by Wealthmood, a company wholly-owned by Mr. Lee. In anticipation of the [REDACTED], we entered into a car rental agreement with Wealthmood on August 22, 2016 (the “**Car Rental Agreement**”) to ensure that our Group will continue to be able to use the car.

Material Terms: Pursuant to the Car Rental Agreement, Wealthmood agreed to rent to our Group, on a rent-free basis, the car owned by Wealthmood for a term of three years until June 30, 2018. Our Directors (including the Independent Non-executive Directors) are of the view that entering into the Car Rental Agreement was in the ordinary course of our business, on normal commercial terms, and is fair and reasonable and is beneficial to our Shareholders as a whole.

Implication under the [REDACTED]: Since the car will be rented to us on a rent-free basis and our Directors (including the independent non-executive Directors) are of the opinion that the Car Rental Agreement is on normal commercial terms or better, the transactions contemplated under the Car Rental Agreement will constitute *de minimis* connected transactions which will be fully exempted from annual reporting, annual review, announcement, circular and shareholders’ approval requirements under Rule 14A.76(1) of the [REDACTED].

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Max Contracting Framework Agreement

Background: During the Track Record Period, our Group purchased a variety of woodwork from Max Contracting. During the 10 months ended April 30, 2016, our Group also acquired furniture and fixture from Max Contracting for HK\$0.2 million.

In anticipation of the [REDACTED], our Company entered into a framework agreement for our purchase of furniture, fixture and woodwork from Max Contracting on August 22, 2016 (the “**Max Contracting Framework Agreement**”), in order to govern relevant transactions after the [REDACTED].

Material Terms: The Max Contracting Framework Agreement will be effective from the [REDACTED] Date until June 30, 2018, subject to compliance with the [REDACTED].

The consideration payable under the Max Contracting Framework Agreement will be paid for and settled in cash and payment and settlement will be made at the time and according to the method agreed in separate purchase orders or sale and purchase agreements.

Pricing Policy: The price for woodwork, furniture and fixture to be supplied to our Company under the Max Contracting Framework Agreement, will be determined by reference to the costs of materials plus a markup within the range of 10% to 25% to be agreed on an arm’s length basis. We believe that such agreed price will be generally comparable to the price payable in other similar arm’s length transactions.

Historical Transaction Amounts: The approximate annual aggregate transaction amounts with Max Contracting were as follows:

	For the year ended June 30,			For the 10 months ended
	2013	2014	2015	April 30, 2016
	<i>(in HK\$'000)</i>			
Purchase of woodwork	8,640	8,073	7,560	2,779
Acquisition of furniture and fixture	—	—	—	246
Total	8,640	8,073	7,560	3,025

Aggregate total transaction amounts relating to woodwork supplied by Max Contracting decreased from 2013 to 2015 because our major clients increased their demand for metalwork in place of woodwork during the Track Record Period and we also started to engage other suppliers for woodwork since 2014.

CONNECTED TRANSACTIONS

Annual Caps and Basis of Caps: We expect the annual aggregate transaction amounts under the Max Contracting Framework Agreement for the three years ending June 30, 2018 will be as follows:

	For the year ending June 30		
2016	2017		2018
	<i>(in HK\$'000)</i>		
6,500	10,000		13,500

During the Track Record Period, the transaction amounts relating to woodwork supplied by Max Contracting decreased from 2013 to 2015 because our major clients increased their demand for metalwork in place of woodwork and we started to engage other suppliers for woodwork. Based on the historical transaction amount of HK\$3.0 million with Max Contracting during the 10 months ended April 30, 2016, our Directors estimate a decrease of 14% in total transaction amount with Max Contracting for the year ending June 30, 2016. However, our Group expects the demand of woodwork to pick up during the two years ending June 30, 2018 because of the expansion plan of one of our top five clients to open 70 new stores in the Americas by end of 2018. For the year ended June 30, 2015, our historical transaction amount with Max Contracting amounted to 13.1% of the total revenue derived from millwork and furniture provision. For the two years ending June 30, 2018, it is foreseen that such percentage will be reduced to 8.3% due to the introduction of a new woodwork supplier. The proposed annual caps for the two years ending June 30, 2018 are therefore calculated based on 8.3% of the projected sales volume of millwork and furniture. Our Directors have also considered (i) our strategies to focus more on millwork and furniture provision; (ii) market conditions and inflation rate for the relevant period; and (iii) pricing policy under the Max Contracting Framework Agreement in arriving at the above annual caps. In addition, a buffer is built in for any unexpected increase in transaction volume, and/or unit purchase cost and/or fluctuation in foreign exchange rate.

Implication under the [REDACTED]: As each of the percentage ratios (other than the profits ratio) (as defined in Rule 14.07 of the [REDACTED]) calculated on the basis of projections for the years ended June 30, 2016, 2017 and 2018 is expected to be more than 5%, the transactions contemplated under the Max Contracting Framework Agreement will constitute continuing connected transactions which are subject to the annual review, reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the [REDACTED].

CONNECTED TRANSACTIONS

Max Furniture Framework Agreement

Background: During the Track Record Period, our Group purchased a variety of woodwork from Max Furniture. During the 10 months ended April 30, 2016, our Group also sold the unused materials from our woodwork and furniture provision projects to Max Furniture for HK\$0.9 million.

In anticipation of the [REDACTED], our Company entered into a framework agreement for our purchase of woodwork from Max Furniture on August 22, 2016 (the “**Max Furniture Framework Agreement**”), in order to govern relevant transactions after the [REDACTED].

Material Terms: The Max Furniture Framework Agreement will be effective from the [REDACTED] until June 30, 2018, subject to compliance with the [REDACTED].

The consideration payable under the Max Furniture Framework Agreement will be paid for and settled in cash and payment and settlement will be made at the time and according to the method agreed in separate purchase orders or sale and purchase agreements.

Pricing Policy: The price of woodwork to be supplied to our Company under the Max Furniture Framework Agreement will be determined by reference to the costs of materials plus a markup within the range of 10% to 25% to be agreed on an arm’s length basis. We believe that such agreed price will be generally comparable to the price payable in other similar arm’s length transactions.

Historical Transaction Amounts: The approximate annual aggregate transaction amounts with Max Furniture were as follows:

	For the year ended June 30,			For the 10 months ended
	2013	2014	2015	April 30, 2016
	<i>(in HK\$’000)</i>			
Purchase of woodwork	—	—	11	565
Sale of unused materials	—	—	—	863
Total	—	—	11	1,428

CONNECTED TRANSACTIONS

Annual Caps and Basis of Caps: We expect the annual aggregate transaction amounts under the Max Furniture Framework Agreement for the three years ending June 30, 2018 will be as follows:

	For the year ending June 30,		
2016	2017	2018	
	<i>(in HK\$'000)</i>		
1,500	1,000	1,500	

In arriving the annual cap for the year ending June 30, 2016, our Directors have considered the historical transaction amount of HK\$1.4 million (including an one-off sales of unused materials of HK\$0.9 million) with Max Furniture for the 10 months ended April 30, 2016. The annual cap for the year ending June 30, 2017 decreases to HK\$1.0 million because of the one-off sales of unused materials for the year ending June 30, 2016. Our Group expects the demand of woodwork in China to pick up during the two years ending June 30, 2018, the proposed annual caps for the two years ending June 30, 2018 are calculated based on (i) the projected sales volume of millwork and furniture in China; (ii) our strategies to focus more on millwork and furniture provision; (iii) market conditions and inflation rate for the relevant period; and (iv) pricing policy under the Max Furniture Framework Agreement in arriving at the above annual caps. In addition, a buffer is built in for any unexpected increase in transaction volume, and/or unit purchase cost and/or fluctuation in foreign exchange rate.

Implication under the [REDACTED]: As each of the percentage ratios (other than the profit ratio) (as defined in Rule 14.07 of the [REDACTED]) calculated on the basis of projects for the years ended June 30, 2016, 2017 and 2018, together with its parent company, Max Contracting, is expected to be more than 5%, the transactions contemplated under the Max Furniture Framework Agreement and Max Contracting Framework Agreement will constitute continuing connected transactions which are subject to the annual review, reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the [REDACTED].

CONNECTED TRANSACTIONS

DIRECTORS' VIEW ON NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are of the view that (1) the non-exempt continuing connected transactions disclosed above have been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms or better; (2) such non-exempt continuing connected transactions are fair and reasonable and are in the interest of our Company and our Shareholders as a whole; and (3) the proposed annual caps of such non-exempt continuing connected transactions are fair and reasonable, as far as our Company and our Shareholders, taken as a whole, are concerned.

APPLICATION FOR WAIVER

We expect the non-exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the [REDACTED] would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, pursuant to Rule 14A.105 of the [REDACTED], we have applied for, and the [REDACTED] has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.35, Rule 14A.49 and Rules 14A.36 to 14A.45 of the [REDACTED] once the Shares are [REDACTED] on the [REDACTED] in respect of such non-exempt continuing connected transactions. We will, however, comply at all times with the other applicable provisions under Chapter 14A of the [REDACTED] in respect of such non-exempt continuing connected transactions.

CONFIRMATION FROM THE SPONSOR

Having taken into account the information set out above, the Sponsor is of the view that the non-exempt continuing connected transactions disclosed above, for which a waiver is sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Shareholders as a whole. The Sponsor is also of the view that the proposed annual caps for such non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE [REDACTED]

The following are our main purposes for seeking the [REDACTED]:

- broadening our shareholder base and enhancing our access to capital for future growth with opportunities to raise fund not only at [REDACTED] but also at a later stage. This is of particular importance to us in view of our plans to expand into the overseas markets, enhance the geographical coverage of our business, and to achieve economy of scale through suitable acquisition and partnership opportunities. In addition, our Directors have considered to use debt financing from banks to fund our future business growth, however, given our Group does not have chargeable assets as security, it may take longer to obtain banking facilities. And also, the interest rate on bank loans is expected to be on the up trend in the future and our Group will be subject to high interest cost. Therefore, our Directors are of the view that, fund-raising through [REDACTED] will reduce our financing costs and increase our financial leverage;
- enhancing our profile, visibility and our market presence to generate reassurance among our clients and suppliers. We believe that our clients, being world-renowned luxury brands, prefer to work with business partners who are listed companies given their reputation and listing status. By way of [REDACTED], we can elevate our corporate image and status and provide reassurance and confidence to our clients and suppliers, which in turn provides a more level playing field when exploring new business opportunities with our clients and suppliers. Furthermore, with better financial resources, it will enable us to take on projects of greater size, improve our capacity to take on new projects and ensure their timely completion. This can fuel our business growth in a much faster pace and improve our market competitiveness;
- enhancing our operational efficiency and corporate governance through compliance with rigorous disclosure standards which we believe would enhance our internal control, operating systems and risk management; and
- enhancing employee incentive and commitment. Human resources and talents are vital to our business, being a [REDACTED] company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. Please see the section headed “Statutory and General Information — Share Option Scheme” for a summary of principal terms of the scheme.

In light of the foregoing, the [REDACTED] will further complement our strong liquidity position as reflected during our Track Record Period.

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” in this document for a detailed description of our future plans. We currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the [REDACTED] (after deducting [REDACTED] commissions and estimated total expenses paid and payable by us in connection with the [REDACTED]) will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] range stated in this document.

We plan to apply these net proceeds in the following purposes:

- (1) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for pursuing suitable acquisition and partnership opportunities;

We intend to selectively acquire, invest in or partner with companies which we consider to have potential for complementing our existing business in the luxury retail market. Our acquisition approach is to acquire majority of the shares in the target company with minority interest maintained by the existing management or owner. We will then be able to benefit from their existing expertise in the industry while maintaining majority control of the acquisition target. This way, we can ensure that the new business to be acquired will align with and complement our Group's business focus and development goals as a whole. Before making a decision, we will carefully consider by taking into account, amongst others, the following factors:

- investment return, payback period and other benefits that we expect to result from the acquisition(s) or partnership(s);
- acquisition consideration, valuation methodologies and accounting impact of the acquisition(s) or partnership(s);
- profitability of the acquisition target(s) or partner(s);
- findings of due diligence to be conducted on the acquisition target(s) or partner(s);
- synergic effect with our business, in terms of geographical coverage, scope of services, or otherwise. Such acquisition target(s) or partner(s) can be, for instance, overseas design firm with well-established clientele and proven track record working with clients from the luxury goods and high-end fashion brands industry. This can benefit our Group by acquiring additional skills, technical know-how and experience in the luxury industry to further fuel our innovative and technical capability to meet the increasingly sophisticated demand from our clients. This will also provide an entry point for us to tap into new markets, enlarge our client base and further increase our penetration into the existing markets. In addition, we also intend to acquire parts and accessories supplier(s) in the PRC. This will enable us to improve our profitability through reducing costs by way of vertical integration, which will allow us to offer more competitive prices for our services to our clients; and
- challenges and expenses that could arise from integrating with the acquisition target(s) or partnership(s).

FUTURE PLANS AND USE OF PROCEEDS

Our Directors are of the view that by applying 30% of our net proceeds for our selective acquisition or partnership, our Group’s business will grow at a faster rate compared to solely relying on our organic growth. As at the Latest Practicable Date, we have not identified any specific target or commenced any negotiation for any acquisition or partnership.

- (2) approximately [REDACTED], representing approximately 23% of the net proceeds will be used for financing the incorporation of overseas subsidiaries in Milan, Beijing, New York and Tokyo;

The proceeds will be utilized for setting up our overseas subsidiaries and the initial operation costs for the first year:

- approximately [REDACTED] or [REDACTED] will be used for the one-off costs for the setting-up of overseas subsidiaries, including but not limited to the incorporation costs, office renovation and purchase of office equipment;
- approximately [REDACTED] or [REDACTED] will be used for the general operating costs, including but not limited to the office rental and insurance expenses; and
- approximately [REDACTED] or [REDACTED] will be used for recruiting designated staff in our overseas offices, which will mainly comprise of marketing manager, project and design manager and secretarial and supporting staff.

- (3) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for financing the establishment of research and development center in Hong Kong;

Our research and development center will primarily focus on:

- explore the application of new materials with lower cost and higher quality to improve gross profit margin;
- develop new designs and products which can enhance energy conservation and environmental sustainability; and
- strengthen our re-engineering capability in our millwork and furniture provision and facade development to fit our clients’ changing requirements.

Our Directors are of the view that our Company’s research and development capabilities and efforts in the past have enabled our Company to (i) stay ahead of our competitors when securing new projects from our clients; and (ii) reduce material and subcontracting costs.

For further information about our research and development initiatives, please see the section headed “Business — Research and Development”.

FUTURE PLANS AND USE OF PROCEEDS

- (4) approximately HK\$5.6 million, representing approximately 11% of the net proceeds will be used for recruiting high caliber talents in management, design, sales and marketing and enhance internal training to support future growth; It is our Group’s strategy to attract and retain talents in order to remain competitive. This can be shown by our increasing number of employees. The total number of employees of our Group as at July 1, 2012, June 30, 2015 and the Latest Practicable Date were 18, 19 and 28, respectively. For details of the changes in total number of employees during the Track Record Period, please see the section headed “Business — Employees”.

The number of staff to be hired, their expected roles and area of expertise are detailed as follows:

Position	Number of staff	Expected roles	Area of expertise
Chief financial officer (Mr. Lau King Lok)	1	Responsible for the overall management of financial, human resources, corporate governance and merger and acquisition of the Company	Qualified accountant with at least 15 years post qualification experience; solid experience in business expansion and establishment of overseas office
General manager	1	Responsible for the overall management and business development of the Company’s oversea offices	At least 15 years of experience in business development in luxury retail brands with good networking with luxury retail brands; fluent in French
Senior designer	1	Assist the design director for day-to-day management of the design team	With at least 12 years of experience in international design firm and specialized in international retail branding and commercial experience
Designer	1	Assist the Company’s design team for 3D drawing	With at least 8 years of experience in international design firm and specialized in 3D drawing
Senior marketing manager	1	Assist the business development director to perform business development and sales and marketing activities	At least 10 years of experience in oversea business development in the same industry of the Company

- (5) approximately HK\$5.1 million, representing approximately 10% of the net proceeds will be used for additional working capital and other general corporate purposes;

FUTURE PLANS AND USE OF PROCEEDS

- (6) approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for promoting our brand by strengthening our marketing efforts to further increase our market share.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range stated in this document.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations.

In the event of any material change in our use of net proceeds from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

Overseas Expansion

We intend to set up subsidiaries in Milan, Beijing, New York and Tokyo. At an initial stage, the new subsidiaries would provide marketing and client liaison services which would serve as a supporting role to our Group. Such offices will be on small scale operation with only two to four employees for each office.

For setting up the overseas subsidiaries, we estimate the initial set-up and operation costs for the first year will be as follow:

- approximately [REDACTED] will be used for the one-off costs for the setting-up of overseas subsidiaries, including but not limited to the incorporation costs, office renovation and purchase of office equipment;
- approximately [REDACTED] will be used for the general operating costs, including but not limited to the office rental and insurance expenses; and
- approximately [REDACTED] will be used for recruiting designated staff in our overseas offices, which will mainly comprise of marketing manager, project and design manager and secretarial and supporting staff.

The above mentioned costs will be fully funded by the net proceeds from the [REDACTED]. Our Directors are of the view that by setting-up such overseas subsidiaries will not (i) change our core business model and scope of services; (ii) have material impact on our profitability, cash flow, liquidity, cost structure and risk profile.

Potential Tax Impact of our Group's Overseas Expansion

The overseas subsidiaries, which will be set up as mentioned above, would be subject to local income taxes if they derive taxable profits in their resident jurisdictions.

FUTURE PLANS AND USE OF PROCEEDS

According to the Group’s tax advisor, BDO Tax Limited, the income tax rates in Italy, Japan, the PRC and the US are as follows:

1. *Italy*

- Generally, Italian tax residents are subject to corporate income tax on their worldwide income at a rate of 27.5% and a regional tax on productive activities at a rate of around 3.9% subject to the regional authorities. Resident companies are those which for the greater part of the tax year have had their registered office (or legal seat), place of effective management or main business purpose in Italy.
- Dividends distributed to non-residents are subject to a withholding tax of 26%. The tax rate could be reduced to 10% pursuant to the Double Taxation Arrangement (“DTA”) between Hong Kong and Italy provided that certain conditions are satisfied.

2. *Japan*

- Japanese tax residents are generally subject to corporate income tax on their worldwide income at a rate of 23.9%. Reduced corporate tax rate could be available for small and medium-sized companies. Resident companies are those which have their head offices or main offices in Japan. Apart from corporate income tax, there are other taxes such as enterprise tax and inhabitant tax imposed by prefectures and municipalities.
- Dividends distributed to non-residents are subject to a withholding tax of 20%. The tax rate could be reduced to 5% or 10% pursuant to the DTA between Hong Kong and Japan provided that certain conditions are satisfied.

3. *PRC*

- Generally, PRC tax residents are subject to corporation income tax on their worldwide income at a rate of 25%. Resident companies are those incorporated under Chinese law and with an effective management in China.
- Dividends distributed to non-residents are subject to a withholding tax of 10%. The tax rate could be reduced to 5% pursuant to the DTA between Hong Kong and China provided certain conditions are satisfied.

4. *U.S.*

- U.S. tax residents are generally subject to corporate income tax on their worldwide income at a progressive rate up to 35% or an alternative minimum tax to the extent that it exceeds the amount of the regular tax liability. State corporate income tax for New York City is 7.1%.
- There is no DTA entered into between Hong Kong and the US. Dividends distributed by a US corporation to its Hong Kong parent are subject to a withholding tax of 30%.

FUTURE PLANS AND USE OF PROCEEDS

Barring any unforeseen circumstances, our Directors consider our Group's overseas expansion will not have a significant tax impact on our Group with the following basis:

- i. Existing business and contracting arrangement between our Group and its future clients remain unchanged*

Currently, Crosstec International is the core contracting party with its overseas clients. In addition, Crosstec International are only engaged in millwork and furniture provision and facade development and fabrication work in overseas project locations and are not involved in any on-site fit-out services and construction work.

There will not be any changes in the business and contracting arrangements between our Group and its future overseas clients and should our Group's overseas subsidiaries established, such revenue generated from overseas clients will all remain in Crosstec International instead of our Group's overseas subsidiaries. The purpose of the establishment of our Group's overseas subsidiaries is to assist Crosstec International to provide the better marketing and client liaison service support in these overseas locations to strengthen our Group's client relationship.

- ii. Relative small scale of support operations in our Group's overseas subsidiaries*

In view of the supporting role of our Group's overseas subsidiaries, the size, transaction and operation of the overseas subsidiaries would be maintained in a small and limited scale; and we estimate the operating cost would be below HK\$3 million on an annualised basis for each overseas subsidiary.

- iii. Inter-company office service charging arrangement*

We intend to adopt the cost-plus charging arrangement between the Crosstec International and our Group's overseas subsidiaries. In a hypothetical scenario, under the cost-plus arrangement, our Group's overseas subsidiaries will charge the inter-company service fees to Crosstec international which is based on the annual operating cost of our Group's overseas subsidiaries (i.e. below HK\$3 million for each overseas subsidiaries) with the cost-plus rate up to 10%, which our Directors consider to be reasonable in accordance with the functionality of our Group's overseas subsidiaries. Therefore, profits generated from our Group's overseas subsidiaries would only be approximately HK\$1.2 million (i.e. HK\$3 million x 10% x 4 locations).

In another hypothetical scenario, profits generated from our Group's overseas subsidiaries would be approximately HK\$2.2 million (i.e. HK\$3 million x 18.2% x 4 locations), assuming a cost-plus mark-up rate of 18.2%, (i.e. the highest net profit margin of our Group during the Track Record Period) and maximum annual operating cost of HK\$3 million to be incurred for each oversea subsidiaries are adopted.

- iv. Tax deductibility of the inter-company office service charges*

For adopting the aforementioned cost-plus model under the above hypothetical scenario, Crosstec International would be entitled to claim deduction on these inter-company office service charges for Hong Kong profits tax purposes if the service charges paid to overseas subsidiaries are incurred in the production of Crosstec International's assessable profits. For illustration purposes

FUTURE PLANS AND USE OF PROCEEDS

only, assuming a 10% cost-plus mark-up rate is adopted for our Group's overseas subsidiaries and they are subject to the highest corporate income tax up to 42.1%, the Hong Kong profits tax saving from the deduction on the service charges paid by Crosstec International at 16.5% of the Hong Kong profits tax rate will be approximately HK\$2.2 million (i.e. HK\$3.0 million x 110% x 4 locations x 16.5%) which will outweigh the impact of the additional overseas income tax of approximately HK\$0.5 million (i.e. HK\$1.2 million x 42.1%) as a result of the setting-up of our Group's overseas subsidiaries.

If a 18.2% cost-plus mark-up rate is adopted, the Hong Kong profit tax saving from the deduction will be approximately HK\$2.3 million (i.e. HK\$3.0 million x 118.2% x 4 locations x 16.5%) and still outweigh the impact of the additional overseas income tax of approximately HK\$0.9 million (i.e. HK\$2.2 million x 42.1%) as a result of the setting-up of our Group's overseas subsidiaries.

v. *Preferential withholding tax rates on dividend distribution*

Pursuant to the double taxation agreements/arrangement between Hong Kong and Italy, Hong Kong and Japan, and Hong Kong and the PRC, the withholding tax rates imposed on the dividends distributed from the overseas subsidiaries to a Hong Kong tax resident would be reduced to 5% or 10% provided that certain conditions are satisfied. Given the expected size, transaction and operation of the overseas subsidiaries would be small and limited, dividend, if any, to be distributed from overseas subsidiaries and hence the withholding tax is considered as insignificant.

Based on the above hypothetical scenario analysis, our Directors are of the view that the overseas income tax exposure of our Group as a result of the overseas expansion may not have significant tax impact to the overall tax provisions on our Group. Our Group will seek independent tax advice to ensure tax compliance and efficiency.

In respect of the calculation set out in the hypothetical scenario analysis, the Reporting Accountant concurred with our Directors' view that the Hong Kong profits tax saving from deduction of the inter-company cost-plus charging arrangement would outweigh the overseas income tax effect under the above hypothetical scenario.

Note: the above estimations are derived based on various assumptions which may or may not happen and the time it may happen would be different from our hypothetical analysis.

DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth information regarding our Directors and members of our senior management:

Executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group	Relationship with other Director(s) and/or Senior Management
Mr. Lee Wai Sang (李偉生)	52	chairman, chief executive officer and executive Director	overall business, operations and strategic planning of our Group	March 18, 2016	April 21, 1999	Spouse of Ms. Leung and brother-in-law of Mr. Leung Pak Yin
Mr. Lau King Lok (劉敬樂)	51	chief financial officer, executive Director and company secretary	overall management of financial and human resources and administration of our Group	March 18, 2016	January 1, 2016	—
Mr. Leung Pak Yin (梁伯然)	42	executive Director and project director (business development)	business development of our Group	March 18, 2016	September 13, 2006	Brother-in-law of Mr. Lee and brother of Ms. Leung
Mr. Lai Hon Lam Carman (賴漢林)	53	executive Director and financial controller	accounting and administration of our Group	March 18, 2016	June 30, 2004	—

Independent non-executive Directors

Name	Age	Position	Role and responsibility	Date of appointment	Date of joining our Group
Mr. So Chi Hang (蘇智恒)	50	independent non-executive Director	supervising and providing independent judgment to our Board	August 22, 2016	August 22, 2016
Mr. Lau Lap Yan John (劉立人)	55	independent non-executive Director	supervising and providing independent judgment to our Board	August 22, 2016	August 22, 2016
Mr. Heng Ching Kuen Franklin (幸正權)	51	independent non-executive Director	supervising and providing independent judgment to our Board	August 22, 2016	August 22, 2016

DIRECTORS AND SENIOR MANAGEMENT

Senior management

Name	Age	Position	Role and responsibility	Date of joining our Group	Relationship with other Director(s) and/or Senior Management
Ms. Leung Mo Shan Jackie (梁慕珊)	49	executive assistant	provision of administrative support to the executive management team in daily operations	November 1, 2015	Spouse of Mr. Lee and sister of Mr. Leung Pak Yin
Mr. Tsang Kam Hung (曾錦鴻)	50	project director (design)	supervision of a design team and quality assurance	May 3, 2011	—
Mr. Cheong Ka Wang (張嘉宏)	36	project director (project management)	overseeing the project team including budget, timing and quality control	July 1, 2015	—

DIRECTORS

Our Board of Directors currently consists of seven Directors, comprised of four executive Directors and three independent non-executive Directors. Save as disclosed below, there are no other matters concerning each of the Directors’ appointment that need to be brought to the attention of the Shareholders and the [REDACTED] and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the [REDACTED].

Executive Directors

Mr. Lee Wai Sang (李偉生), aged 52, is the chairman, chief executive officer and an executive Director of our Group. Mr. Lee is responsible for managing the overall business operations and strategic planning of our Group. Mr. Lee has over 25 years of experience in the interior design industry and is one of the founders of our Group. Prior to establishing our Group in 1999, from 1997 to 1999, Mr. Lee was the director of Cross Design Limited where he was responsible for overseeing the interior design work streams and overall operations of the company. From 1992 to 1994, Mr. Lee served as a senior interior designer of Bowden Dewar McFadzean Limited, responsible for the interior design of office premises. Between 1989 and 1991, Mr. Lee was as an architect designer of Michael H.K. Wong Architects Inc., responsible for the interior design of buildings.

In addition to his professional experience in the industry, Mr. Lee was also keen to share his expertise with the next-generation interior designers. Mr. Lee was the guest speaker of the design department of Vocational Training Council to present the topic on “Professional Practice — Tender Document” and “Professional Practice — Project Management” on January 19 and March 20, 2001, respectively. From September 2004 to August 2005, Mr. Lee served as the external examiner for the higher diploma in interior & environment design course, the higher diploma in interior design course, and the certificate in design studies course of the Vocational Training Council. From October 2000 to January 2001, Mr. Lee was a visiting lecturer (part-time) of the School of Design of the Hong Kong Polytechnic University.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee obtained his master of arts degree in design from the Hong Kong Polytechnic University in December 1999 and received a bachelor's degree in interior design from the University of Manitoba in May 1989. In addition, Mr. Lee is a member of various international interior designer professional bodies. Mr. Lee has been a certified holder of the National Council for Interior Design Qualification in North America since April 1994, a professional member of the American Society of Interior Designers in the United States since March 1995, a professional member of the International Interior Design Association in the United States since 1995, a member of the Interior Designer of Canada in Canada since 1994 and a registered interior designer and member of the Association of Registered Interior Designers of Ontario in Canada since September 1989. Mr. Lee has also been elected an International Dual Member of the British Institute of Interior Design since April 2016. Since May 2016, Mr. Lee has been fully accredited as a design professional by the Society of British and International Design.

Mr. Lee is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Lau King Lok (劉敬樂), aged 51, is the chief financial officer and an executive Director of our Group. Mr. Lau is responsible for the overall management of financial, human resources and administration of our Group. Mr. Lau has over 25 years of experience in the accounting, auditing and corporate finance fields. Prior to joining our Group, from October 2010 to December 2015, Mr. Lau served as the executive director of Cypress Group of companies, where he was responsible for the group's daily operation. From December 1994 to August 2010, Mr. Lau served as the group finance and administration manager, and subsequently as the chief financial officer of the North Asia segment of the DTZ Debenham Tie Leung Limited (formerly known as C Y Leung and Company), where he was responsible for the company's finance and treasury functions. From September 1990 to July 1994, Mr. Lau was the division manager of accounts and administration department of P&O Travel Limited, where he was responsible for the company's accounting and administration matters.

Mr. Lau received a master's degree in business administration from the University of South Australia in December 2011. Mr. Lau has been an associate member of the Institute of Chartered Accountants in England and Wales since February 2005. Mr. Lau is also an associate member of the Taxation Institute of Hong Kong since August 1998 and a certified tax adviser since January 2013. Mr. Lau has been an associate member of the Hong Kong Institute of Certified Public Accountants (previously known as the Hong Kong Society of Accountants) since February 1993 and a fellow member since May 2000.

Mr. Lau is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Leung Pak Yin (梁伯然), aged 42, is a project director (business development) and an executive Director of our Group. Mr. Leung is responsible for client liaison and business development of our Group. Mr. Leung has over 17 years of experience in sales and business development. Prior to joining our Group, from 2004 to 2006, Mr. Leung served as an account manager of Wharf T&T Limited, where he was responsible for the company's customers' relations and sales management. Between 2001 and 2002, Mr. Leung was the business development manager of Magically Asia Limited, where he was responsible for developing strategy and tactical plans to drive the business, managing customer and

DIRECTORS AND SENIOR MANAGEMENT

partner relationships, handling sales project and facilitating new product development. From 1998 to 1999, Mr. Leung was an account manager of New World Telephone Limited, where he was responsible for the management of sales and customers relations.

Mr. Leung received a bachelor of science degree from the Hong Kong University of Science and Technology in November 1996.

Mr. Leung is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Lai Hon Lam Carman (賴漢林), aged 53, is an executive Director and the financial controller of our Group. Mr. Lai is responsible for monitoring the overall performance of the finance department in producing our Group's financial statements, managing our Group's cash position, responsible for all our Group secretarial documents and filing, overseeing the audit and tax issues and contributing to management team's decisions regarding financial strategy. Mr. Lai has over 25 years of experience in accounting and finance. Prior to joining our Group in June 2004, from June 1998 to December 2002, Mr. Lai served as an accountant (re-titled from revenue accountant on September 1, 1999) of Sunday O/B Mandarin Communications Limited, where he was responsible for revenue and inventory functions at the finance department. From August 1994 to June 1998, Mr. Lai was employed by Daimler-Benz Purchasing Coordination Hong Kong Limited, a wholly-owned subsidiary of Daimler-Benz AG, where his last position was an accountant and was responsible for all financial functions of the company.

Mr. Lai obtained a bachelor of arts degree in economics from University of Prince Edward Island (Canada) in May 1987 and a Master's degree in Practising Accounting from Monash University in November 2006. He is a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada since June 2015, an associate of the Chartered Institute of Management Accountants since November 2011, a full member of Certified Practising Accountants of Australia since September 2010, an associate of the Hong Kong Institute of Company Secretaries since September 2000 and an associate of the Institute of Chartered Secretaries and Administrators since September 2000.

Mr. Lai is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. So Chi Hang (蘇智恒), aged 50, is an independent non-executive Director. Mr. So is responsible for supervising and providing independent judgment to our Board. Mr. So has over 25 years of experience in finance with exposure in Hong Kong, the PRC, Australia, Taiwan and Japan. Since October 2015, Mr. So has been the vice president of project management of BSN Medical KK in Japan, where he was responsible for guiding and monitoring the work of local outsourced accounting service provider. Mr. So served as a business analyst consultant of STL Corp., Ltd from May 2011 to December 2013, where he provided independent consultation service in developing and monitoring the execution of business strategies. He served as an associate director of KCS Management & Consultancy (China) Co., Ltd from November 2008 to March 2011 and KCS Limited from September 2007 to November 2008, where he supervised the account servicing teams of the Corporate Accounting Division. Mr. So held various positions while he was with ACNielsen (China) Ltd from October 1997 to April 2007

DIRECTORS AND SENIOR MANAGEMENT

where his last position was the director of finance, where he was responsible for the management of all finance and accounting operations. He also served as an divisional accountant of the AFS Freight Management Group in Australia from July 1993 to April 1997 where he was responsible for accounting and taxation matters for the group's non-Australian companies, including Hong Kong and Shanghai Papua New Guinea, New Zealand and the US. From April 1991 to June 1993, Mr. So served as an accountant of AIA Capital Corporation Limited. Before that, he served as the group accountant of Dosh Group from June 1990 till 1991. Mr. So started his career as an auditor of Coopers & Lybrand from January 1989 to June 1990.

Mr. So obtained a bachelor of commerce degree from the University of Queensland in Australia in August 1988. He has been a certified practising accountant of Australian Society of CPAs since October 1993.

Mr. So is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Lau Lap Yan John (劉立人), aged 55, is an independent non-executive Director. Mr. Lau is responsible for supervising and providing independent judgment to our Board. Mr. Lau has over 20 years of experience in architecture. From July 2012 to August 2013, he was the deputy development and project director of Grandland Management Limited. He also served as a senior manager of project development department of Hang Lung (Administration) Ltd. from May 2011 to September 2011. Before that, he was a project manager of Hutchison Whampoa Properties Limited from August 2005 to May 2011. He was a resident project manager — Shenzhen of Hutchison Whampoa Properties Limited from May 2000 to October 2001. Mr. Lau was the project manager of China Overseas Land & Investment Ltd. from May 1997 to May 2000 and Henderson (China) Investment Co., Ltd. from July 1994 to May 1997. Before that, he served as a project architect of Wong & Ouyang from September 1993 to July 1994. Mr. Lau started his career as an assistant architect of Leigh & Orange Ltd. from May 1988 to April 1992 and served as a project architect between April 1992 and March 1993.

Mr. Lau obtained a master's degree of architecture and a bachelor's degree of environmental studies from the University of Manitoba in Canada in May 1988 and October 1985. Mr. Lau is a member of the Hong Kong Institute of Architects since September 1992. He is also a registered architect of the Architects Registration Board under Architects Registration Ordinance (Cap. 408 of the Laws of Hong Kong) since October 1992 and authorized person under section 3 of the Building Ordinance (Cap. 123 of the Laws of Hong Kong) since August 1992.

Mr. Lau is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Heng Ching Kuen Franklin (幸正權), aged 51, is an independent non-executive Director. Mr. Heng is responsible for supervising and providing independent judgement to our Board. Mr. Heng has over 17 years of experience in banking and finance. Mr. Heng has been an independent non-executive Director of Tse Sui Luen Jewellery (International) Limited (stock code: 417) from November 2008 to December 2015. Since June 2011, Mr. Heng is the managing partner and responsible officer of Springboard Capital Limited. Prior to that, Mr. Heng was the managing director of The Royal Bank of Scotland Plc, Hong Kong from May 2006 to October 2008. He was a director of HSBC Securities (Asia) Limited and held senior positions of other HSBC Group Companies from June 1999 to April 2006. He

DIRECTORS AND SENIOR MANAGEMENT

has held senior positions in several major private financial institutions in Hong Kong and had been registered with the Hong Kong Monetary Authority as an executive officer and the SFC as a responsible officer, carrying out various regulated activities.

Mr. Heng obtained a bachelor of arts and subsequently a master of arts in June 1988 and March 1992 respectively from the University of Cambridge. He has been a fellow member of The Institute of Chartered Accountants in England and Wales since December 2009 and The Hong Kong Institute of Directors since July 2009, and a member of The Hong Kong Institute of Certified Public Accountants since July 1998.

Save as disclosed above, Mr. Heng is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is listed as follows:

Ms. Leung Mo Shan Jackie (梁慕珊), aged 49, has been an executive assistant of the Group since January 2016, where she is responsible for the provision of overall administrative support to the executive management team in daily operations including arranging and coordinating meetings, facilitating communications between executive team and all staff. Ms. Leung has over 25 years of experience in finance. Prior to joining our Group, Ms. Leung served as the director of finance of NW Project Management Limited from May 2010 to October 2015. From June 2006 to May 2010, Ms. Leung was employed by New World Hotel Management Limited, where her last position was director of finance. From August 1997 to May 2006, Ms. Leung was employed by Renaissance Harbour View Hotel, where her last position was the director of finance. From November 1990 to August 1997, Ms. Leung was employed by New World Hotels International Limited, where her last position was assistant financial controller.

Ms. Leung obtained a post-experience certificate in accountancy from Hong Kong Polytechnic University in 1994 through part-time learning. She has been a member and a fellow of the Association of Chartered Certified Accountants since May 1998 and June 2003, respectively and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since July 1998.

Ms. Leung is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Tsang Kam Hung (曾錦鴻), aged 50, is a design project director and has joined the Group since May 2011. Mr. Tsang is responsible for the supervision of a design and creative team in Hong Kong and monitoring the quality assurance of the products produced by factories in the PRC. He also serves at the frontline to liaise with the clients identifying their needs, give immediate solutions, consultations and alternatives in order to provide the right answers that meet the client expectations. Prior to joining our Group, Mr. Tsang began his career as a designer at AJM Design Group Ltd. from April 1988 to January 1991. Mr. Tsang has over 25 years of experience in the interior design industry, including serving in the in-house design team of the corporate real estate department of Standard

DIRECTORS AND SENIOR MANAGEMENT

Chartered Bank (HK) Limited from February 1998 to May 2008. From November 2009 to February 2011, Mr. Tsang was the contract staff in branch management of channel management of Bank of China (Hong Kong) Limited.

Mr. Tsang obtained a bachelor’s degree of fine arts in interior design from the Pratt Institute in the United States in February 1995.

Mr. Tsang is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

Mr. Cheong Ka Wang (張嘉宏), aged 36, is a project director — project management of the Group since January 2016 and has joined the Group as a senior project manager in July 2015. Mr. Cheong is responsible to lead the project consultancy and construction team for overall management in execution, control and completion of specific projects and ensuring consistency with Company’s strategy, commitment and goals. Prior to joining our Group, Mr. Cheong served as a director and project manager of Paperspace Interiors Ltd. from 2011 to June 2015. From September 2006 to September 2011, Mr. Cheong served as a project coordinator of Crosstec Interior. Before that, Mr. Cheong was a senior project coordinator and assistant designer of Benson Construction & Engineering Co. Ltd. from October 2005 to September 2006. From July 2004 to October 2005, he served as a site foreman of Bo Wing Construction Engineering Co. Ltd.

Mr. Cheong graduated from British Columbia Institute of Technology in Canada with a management certificate of interior design in June 2003.

Mr. Cheong is not and has not been a director of any other listed company in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Lau King Lok was appointed as our company secretary on March 23, 2016. For his biographic details, please see the section headed “— Executive Directors”.

BOARD COMMITTEES

Audit committee

The Company has established an audit committee on August 22, 2016 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin. Mr. So Chi Hang has been appointed as the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

The Company has established a remuneration committee on August 22, 2016 with written terms of reference as suggested under the Code of Corporate Governance Practices set out in Appendix 14 to the [REDACTED]. The primary functions of the remuneration committee include determining the policies in relation to human resources management, reviewing the Company's remuneration policies and determining remuneration packages for Directors and senior management members of the Company.

The remuneration committee comprises Mr. So Chi Hang, Mr. Lee Wai Sang and Mr. Heng Ching Kuen Franklin. Mr. So Chi Hang has been appointed as the chairman of the remuneration committee.

Nomination committee

The Company has established a nomination committee on August 22, 2016 with written terms of reference as suggested under the Code of Corporate Governance Practices set out in Appendix 14 to the [REDACTED]. The primary functions of the nomination committee include making recommendations to the Board regarding candidates to fill vacancies on the Board.

The nomination committee comprises Mr. Lee Wai Sang, Mr. So Chi Hang and Mr. Heng Ching Kuen Franklin. Mr. Lee Wai Sang has been appointed as the chairman of the nomination committee.

Risk management committee

The Company has established a risk management committee on August 22, 2016. The primary functions of the risk management committee include reviewing our Company's risk management policies and standards and monitoring our Company's exposure to sanctions law risks. The risk management committee comprises Mr. Heng Ching Kuen Franklin, Mr. So Chi Hang and Mr. Lau King Lok. Mr. Heng Ching Kuen Franklin has been appointed as the chairman of the risk management committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

For each of the three years ended June 30, 2013, 2014 and 2015, and the 10 months ended April 30, 2016, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was HK\$1.9 million, HK\$2.3 million, HK\$3.4 million and HK\$4.5 million, respectively. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by the Company to our five highest paid individuals for each of the years ended June 30, 2013, 2014 and 2015 was approximately HK\$2.9 million, HK\$3.5 million and HK\$4.7 million, respectively.

No remuneration was paid by the Company to the Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in respect of the years ended June 30, 2013, 2014 and 2015. Further, none of our Directors had waived any remuneration during the same period.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, payable to our Directors for the year ending June 30, 2016 shall be no more than HK\$5.9 million.

Each of our executive Directors has entered into a service contract with the Company dated August 22, 2016 and the Company has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in Appendix V “Statutory and General Information — Further Information about Substantial Shareholders, Directors and Experts” to this document.

COMPLIANCE ADVISOR

We have appointed Kingsway Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the [REDACTED]. Pursuant to Rule 3A.23 of the [REDACTED], the compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the [REDACTED] makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the [REDACTED] and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information — Share Option Scheme” in Appendix V to this document.

CODE ON CORPORATE GOVERNANCE PRACTICES

We consider that having Mr. Lee acting as both our chairman and our chief executive officer will provide a strong and consistent leadership to us and allow for more effective planning and management of our Group. Pursuant to A.2.1 of Appendix 14 of the [REDACTED], the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, in view of Mr. Lee’s extensive experience in the industry, personal profile and critical role in our Group and its historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Lee continues to act as both our chairman and our executive officer upon [REDACTED].

Save as disclosed above, our Directors consider that, as of the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the [REDACTED] from the [REDACTED].

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following completion of the [REDACTED] and the [REDACTED] is set out in the table below. The table is prepared on the basis of the [REDACTED] becoming unconditional and the issue of the [REDACTED] pursuant thereto is made as described herein. It takes no account of any Shares which may be issued under exercise of the [REDACTED] or upon exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise:

	<i>Nominal value</i> <i>HK\$</i>
Authorized share capital:	
10,000,000,000 Shares of HK\$0.01 each	<u>100,000,000</u>
Issued, fully paid or credited as fully paid:	
100 Shares in issue as at the date of this document	1
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
Total	
[REDACTED] Shares in issue immediately following [REDACTED] and the [REDACTED] (excluding any Shares which may be issued under [REDACTED] and pursuant to the Share Option Scheme)	<u>[REDACTED]</u>

MINIMUM [REDACTED]

Pursuant to Rule 8.08 of the [REDACTED], at least 25% of the total issued share capital of our Company must at all times be held by the [REDACTED]. The [REDACTED] represent 25% of the issued share capital of our Company upon [REDACTED] (without taking into account of any Shares which may be issued under exercise of the [REDACTED]).

RANKING

The [REDACTED] will rank pari passu in all respects with all our Shares now in issue or to be allotted and issued as mentioned in this document and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the [REDACTED].

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the section headed “Statutory and general information — Share Option Scheme” in Appendix V to this document.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (not including Shares which may be issued upon exercise of the [REDACTED] or pursuant to the exercise of options which may be granted under the Share Option Scheme); and
- (ii) The aggregate nominal value of the share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (i) The conclusion of the next annual general meeting of our Company;
- (ii) The expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (iii) The time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — Further information about our Company — Written resolutions of our Shareholders passed on August 22, 2016” in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

SHARE CAPITAL

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the [REDACTED] for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the [REDACTED]. A summary of the relevant [REDACTED] is set out in the section headed “Statutory and general information — Further information about our Company — Repurchase of our Shares by our Company” in Appendix V to this document.

The general mandate to issue and repurchase Shares will remain in effect until the earliest of:

- (i) The conclusion of the next general meeting of our Company;
- (ii) The expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law of the Cayman Islands to be held; or
- (iii) The time when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — Further information about our Company — Repurchase of our Shares by our Company” in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the constitution of the Company and Cayman Islands Company Law” in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED] or to be issued upon exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Name of Shareholder	Capacity/ Nature of interest	Number of Shares held/interested immediately following completion of the [REDACTED] and the [REDACTED] <i>(Note 1)</i>	Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]
CGH (BVI) <i>(Note 2)</i>	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Lee <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]
Ms. Leung <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.
2. CGH (BVI) is owned as to 50% and 50% by each of Mr. Lee and Ms. Leung, who are deemed to be interested in 75% of the issued share capital of our Company in which CGH (BVI) is interested in. Ms. Leung is the wife of Mr. Lee and is deemed under Part XV of the SFO to be interested in the Shares which are interested by Mr. Lee, and vice versa.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the [REDACTED] (without taking into account any Shares to be issued under the [REDACTED] or to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the section headed “Statutory and general information — Further information about our Company” in Appendix V to this document), have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the [REDACTED] under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 and related notes in the Accountant’s Report included in Appendix I to this document which have been prepared in accordance with HKFRS. You should read the whole of the Accountant’s Report included in Appendix I to this document and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this document.

OVERVIEW

We provide bespoke and total interior design solutions to the retail stores of global luxury jewelry and fashion brands, which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. According to the Frost & Sullivan Report, we are the largest luxury retail interior designer in Hong Kong in terms of revenue in 2015. We have been conducting our business since 1999 and have expanded our business to China, the United States, Europe, Middle East and other Asian countries.

We enjoyed growth in net profit during the three years ended June 30, 2015. For the financial year ended June 30, 2013, 2014 and 2015, we generated revenue of HK\$123.8 million, HK\$113.8 million and HK\$130.6 million, respectively, representing a growth of 5.5% over the three years primarily due to expansion of our global client base. For the same period, our net profits was HK\$17.3 million, HK\$20.2 million and HK\$23.8 million, respectively, representing a growth of 37.3% over the three years. The increase was primarily due to improvement on the efficiency of our operation.

For the 10 months ended April 30, 2015 and 2016, we generated a revenue of HK\$114.1 million and HK\$100.8 million, respectively, representing a contraction of 11.6% primarily as a result of the decrease in revenue generated from interior solutions and our strategy to focus more on millwork and furniture provision. For the same period, our net profits was HK\$21.6 million and HK\$6.2 million, respectively, representing a contraction of 71.1%. The contraction was primarily due to the decrease in revenue and the one-off [REDACTED] incurred for the 10 months ended April 30, 2016.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Island as an exempted company with limited liability on March 18, 2016 and became the ultimate holding company of our Group on March 22, 2016 subsequent to our Reorganization in preparation for the [REDACTED]. See the section headed “History, Development and Reorganization — Reorganization” in this document for further information about the

FINANCIAL INFORMATION

Reorganization. The Reorganization involved the combination of a number of entities in the [REDACTED] business that were collectively controlled by the Controlling Shareholders and our Group is therefore regarded as a continuing entity resulting from the Reorganization, as there has been a continuation of the risks and benefits to Controlling Shareholders that prior to the combination. Accordingly, the information in this section has been prepared by applying the principles of merger accounting, as if the group structure under the Reorganization had been in existence throughout the relevant periods or since the respective dates of incorporation or establishment of the entities now comprising our Group, whichever is the shorter period.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016 have been prepared using the financial information of the companies engaged in the [REDACTED] Business under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders. The consolidated statements of financial position of the Group as at June 30, 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

The financial information is presented in Hong Kong Dollars, which is also the functional currency of our Company.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Global economic environment

Our results of operations are subject to political, economic, legal and social developments in the world because our business, operations and client base are global in nature. As the majority of our clients are world famous prestigious luxury jewelry and fashion brands, changes in the global world economy or changes in the financial and economic conditions may depress the demand for luxury goods that would have a negative impact on the expansion or renovation plans of our clients and thereby reduce demand for our services, which may affect our results of operations. A reduced demand and/or lower contract sums could adversely affect our gross profit and negatively impact our cash flow. However, our clients may also engage us for downsizing or relocation of their boutiques due to the deterioration of global economic conditions which reduce our exposure to global economic downturn.

Our client relationships and factors affecting our clients

We maintain close and stable relationships with our major clients. For our five largest clients during the Track Record Period, we have established business relationships with them for a period with an average of over five years. As a result of these stable relationships, we are able to receive recurring

FINANCIAL INFORMATION

businesses from the existing clients. However, the future results of our operation may be particularly impacted by changes in relationships with our major clients or by factors that affect the market demand for luxury jewelry and fashion brand.

And also, as the majority of our clients are world famous prestigious luxury jewelry and fashion brands, our projects must be completed in accordance with our client's specifications, quality standards, safety measures and time frame. Failure to comply with any of these requirements may not only tarnish our reputation but also drag down our revenue and profitability. We have not been claimed for any damages or penalties by our clients for any of the aforesaid reasons. With our commitment to excellence, we will continue to give full effort to ensure our current and future projects are completed in accordance with all the requirements.

The business of our Group is project-based

The business of our Group is project-based. Since our Group provides a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy, which can be individually or collectively engaged by our clients according to their needs for each individual project, therefore, the type of projects we carry out will vary and, in turn, the revenue mix of our Group may fluctuate from time to time.

And also, as our business operations are project-based, it is common in the industry that no long term contracts are signed between our clients and our Group, even though we maintain close and stable relationships with our major clients. There is no guarantee that our clients will engage us for new business and we cannot assure that we will be able to maintain or improve our relationships with our major clients and any of them may terminate their respective relationships with us as they do not have long term commitments with us.

Pricing of our contracts

Our results of operations are affected by the prices that we quote when we received invitation for quotations for new projects. The price that we quote for our services is generally based on our estimated project costs and time plus a mark-up margin. In order to compete with our competitors, we need to balance the competing considerations and at the same time maintain the quality of our services and our profitability. We seek to submit sufficiently competitive and attractive price quotes while avoid being overly competitive that may have a material adverse impact on our results of operations. Pricing is particularly important for our projects since once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances, save and except in the event of any variation orders agreed in advance between the parties. We believe effective cost management and our research and development capabilities will assist us in striking a balance between quoting a competitive price and maintaining the quality of our services and our profitability. By keeping our costs at a manageable level, we seek to price our services at a competitively level whilst at the same time continue to maintain the quality of our services and our profitability.

FINANCIAL INFORMATION

Competition

We are a provider of interior design solutions which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Although there are only a limited number of competitors in the market that can provide a full spectrum of services to their client, our Group also compete with small to medium scale interior designer companies, which provide a limited scope of design or construction services. As the majority of our clients are world famous prestigious luxury jewelry and fashion brands, market participants have to, not only come up with innovative and high quality design ideas, but also be price competitive. Although the market entry barrier to the interior design industry is not very high, it is challenging for new entrants to enter into business relationships with luxury brands. In particular, luxury brands look to interior designers that can offer one-stop solutions to their needs while providing high quality products and services and authentic design.

CRITICAL ACCOUNTING POLICIES

Our Directors have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 2 to the accountants' report included in Appendix I to this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgments based on information and financial data that may change in future periods. Our Directors believe accounting policies such as revenue recognition and construction contracts involved the most significant estimates and judgments used in the preparation of our financial statements.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth, for the periods indicated, our consolidated results of operations. All the ratios calculated in this document are calculated with number rounded to the nearest thousands, except when otherwise indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended June 30,				10 months ended April 30,			
	2013 HK\$'000	% change	2014 HK\$'000	% change	2015 HK\$'000	2015 HK\$'000 (unaudited)	% change	2016 HK\$'000
Revenue	123,767	(8.1%)	113,798	14.7%	130,578	114,087	(11.6%)	100,837
Direct cost	<u>(90,400)</u>	(15.1%)	<u>(76,751)</u>	12.5%	<u>(86,376)</u>	<u>(74,796)</u>	(12.9%)	<u>(65,175)</u>
Gross profit	33,367	11.0%	37,047	19.3%	44,202	39,291	(9.2%)	35,662
Other income	3	0.0%	3	33.3%	4	2	50.0%	3
Other gains	—	—	306	(85.6%)	44	44	(100.0%)	—
Administrative expenses [REDACTED]	<u>(12,523)</u>	3.9%	<u>(13,006)</u>	20.1%	<u>(15,615)</u>	<u>(13,356)</u>	17.6%	<u>(15,708)</u>
Operating profit	20,847	16.8%	24,350	17.6%	28,635	25,981	(63.8%)	9,408
Finance costs	<u>(7)</u>	(28.6%)	<u>(5)</u>	(40.0%)	<u>(3)</u>	<u>(3)</u>	(100.0%)	<u>—</u>
Profit before income tax expense	20,840	16.8%	24,345	17.6%	28,632	25,978	(63.8%)	9,408
Income tax expense	<u>(3,522)</u>	18.2%	<u>(4,164)</u>	16.5%	<u>(4,849)</u>	<u>(4,425)</u>	(28.1%)	<u>(3,183)</u>
Profit for the year/period and attributable to owners of the Company	17,318	16.5%	20,181	17.8%	23,783	21,553	(71.1%)	6,225
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	<u>39</u>	—	<u>—</u>	—	<u>—</u>	<u>—</u>	—	<u>(59)</u>
Other comprehensive income for the year/period and attributable to owners of the Company, net of tax	<u>39</u>	—	<u>—</u>	—	<u>—</u>	<u>—</u>	—	<u>(59)</u>
Total comprehensive income for the year/period and attributable to owners of the Company	<u>17,357</u>	16.3%	<u>20,181</u>	17.8%	<u>23,783</u>	<u>21,553</u>	(71.4%)	<u>6,166</u>

Revenue

Our revenue was HK\$123.8 million, HK\$113.8 million, HK\$130.6 million, HK\$114.1 million and HK\$100.8 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. The overall increase of our revenue for the three years ended June 30, 2015 was primarily due to the growth of our global client base. The contraction of our revenue for the 10

FINANCIAL INFORMATION

months ended April 30, 2016 was primarily due to the decrease in revenue generated from interior solutions because of local economic downturn and our major clients focused more on overseas markets, therefore, our revenue generated from millwork and furniture provision increased.

The following table sets forth our revenue by region for the periods indicated:

	Year ended June 30,						10 months ended April 30,			
	2013	% of	2014	% of	2015	% of	2015	% of	2016	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
(unaudited)										
Asia										
— Hong Kong	81,917	66.2%	52,040	45.7%	66,753	51.1%	61,965	54.3%	17,993	17.8%
— China	6,517	5.3%	5,946	5.2%	4,933	3.8%	3,118	2.7%	6,004	6.0%
— Others	<u>19,804</u>	<u>15.9%</u>	<u>17,577</u>	<u>15.5%</u>	<u>24,747</u>	<u>19.0%</u>	<u>22,649</u>	<u>19.9%</u>	<u>25,925</u>	<u>25.7%</u>
Subtotal	<u>108,238</u>	<u>87.4%</u>	<u>75,563</u>	<u>66.4%</u>	<u>96,433</u>	<u>73.9%</u>	<u>87,732</u>	<u>76.9%</u>	<u>49,922</u>	<u>49.5%</u>
Europe	10,709	8.7%	23,834	20.9%	31,137	23.8%	23,347	20.5%	44,666	44.3%
Middle East	519	0.4%	4,163	3.7%	—	0.0%	—	0.0%	—	0.0%
Americas	<u>4,301</u>	<u>3.5%</u>	<u>10,238</u>	<u>9.0%</u>	<u>3,008</u>	<u>2.3%</u>	<u>3,008</u>	<u>2.6%</u>	<u>6,249</u>	<u>6.2%</u>
Total	<u>123,767</u>	<u>100.0%</u>	<u>113,798</u>	<u>100.0%</u>	<u>130,578</u>	<u>100.0%</u>	<u>114,087</u>	<u>100.0%</u>	<u>100,837</u>	<u>100.0%</u>

During the Track Record Period, revenue generated from Hong Kong, other Asia countries and Europe accounts for a substantial portion of our revenue, reflecting our global client base. For the 10 months ended April 30, 2016, we further expanded our business in Europe. We expect that revenue generated from Americas and Europe will continue to grow in the near future.

The following table sets forth the components of our revenue by our services for the periods indicated:

	Year ended June 30,						10 months ended April 30,			
	2013	% of	2014	% of	2015	% of	2015	% of	2016	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
(unaudited)										
Millwork and furniture provision	38,434	31.1%	64,726	56.9%	57,904	44.3%	48,489	42.5%	66,897	66.3%
Facade development and fabrication	16,153	13.1%	8,346	7.3%	6,823	5.2%	6,244	5.5%	18,733	18.6%
Interior solutions	69,145	55.8%	40,721	35.8%	64,752	49.7%	58,255	51.1%	14,817	14.7%
Design and project consultancy	<u>35</u>	<u>0.0%</u>	<u>5</u>	<u>0.0%</u>	<u>1,099</u>	<u>0.8%</u>	<u>1,099</u>	<u>0.9%</u>	<u>390</u>	<u>0.4%</u>
Total	<u>123,767</u>	<u>100.0%</u>	<u>113,798</u>	<u>100.0%</u>	<u>130,578</u>	<u>100.0%</u>	<u>114,087</u>	<u>100.0%</u>	<u>100,837</u>	<u>100.0%</u>

We generated revenue principally from providing four major categories of interior design services, including: (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions and (iv) design and project consultancy.

FINANCIAL INFORMATION

The following table sets forth the number of projects completed during the Track Record Period and the average contract sum of the four major categories of our interior design services:

	2013		Year ended June 30, 2014		2015		10 months ended April 30, 2015		2016	
	No. of projects completed	Average contract sum HK\$'000	No. of projects completed	Average contract sum HK\$'000	No. of projects completed	Average contract sum HK\$'000	No. of projects completed	Average contract sum HK\$'000	No. of projects completed	Average contract sum HK\$'000
	Millwork and furniture provision	172	223	162	400	117	495	112	433	113
Facade development and fabrication	3	5,384	3	2,782	4	1,706	5	1,249	6	3,122
Interior solutions	18	3,841	37	1,101	33	1,962	33	1,765	42	352
Design and project consultancy	<u>3</u>	12	<u>1</u>	5	<u>2</u>	550	<u>2</u>	550	<u>9</u>	43
Total	<u>196</u>	631	<u>203</u>	561	<u>156</u>	837	<u>152</u>	751	<u>170</u>	593

As our business operations are project-based, the contract sum varies among projects. During the Track Record Period, the average contract sum of our interior solutions dropped from HK\$3.8 million for the year ended June 30, 2013 to HK\$0.4 million for the 10 months ended April 30, 2016. The overall decrease was primarily due to the increase in the number of projects with smaller scale and lower contract amount in this category. Moreover, for the 10 months ended April 30, 2016, with our strategy to focus more on millwork and furniture provision, this led to further decrease of the average contract sum of our interior solutions projects during the period.

For the 10 months ended April 30, 2016, the average contract sum of our interior solutions projects was lower than that for our millwork and furniture provision and our facade development and fabrication projects. Although our interior solutions segment also covers the provision and installation of millwork, furniture and facade, during the period, our interior solutions projects were mainly small scale, as we focused on and allocated more resources to our millwork and furniture provision projects. This in turn led to the increase of average contract sum of our millwork and furniture provision projects. In addition, during the period, we completed one large-scale project in Macau for our facade development and fabrication segment with a total contract sum of HK\$5.6 million for one of our major clients, which significantly increased the average contract sum of our facade development and fabrication projects.

Millwork and furniture provision

Our revenue from millwork and furniture provision was HK\$38.4 million, HK\$64.7 million, HK\$57.9 million, HK\$48.5 million and HK\$66.9 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 31.1%, 56.9%, 44.3%, 42.5% and 66.3% of our total revenue for the same period. As it is our strategy to focus more on millwork and furniture provision, we expect our revenue generated from millwork and furniture provision will continue to account for a substantial portion of our total revenue.

FINANCIAL INFORMATION

Facade development and fabrication

Our revenue from facade development and fabrication was HK\$16.2 million, HK\$8.3 million, HK\$6.8 million, HK\$6.2 million and HK\$18.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 13.1%, 7.3%, 5.2%, 5.5% and 18.6% of our total revenue for the same period.

Interior solutions

Our revenue from interior solutions was HK\$69.1 million, HK\$40.7 million, HK\$64.8 million, HK\$58.3 million and HK\$14.8 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 55.8%, 35.8%, 49.7%, 51.1% and 14.7% of our total revenue for the same period. We expect the proportion of this segment's contribution to our revenue will decrease.

Design and project consultancy

Our revenue from design and project consultancy was HK\$35,000, HK\$5,000, HK\$1,099,000, HK\$1,099,000 and HK\$390,000 for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 0.0%, 0.0%, 0.8%, 0.9% and 0.4% of our total revenue for the same period.

Direct cost

Direct cost primarily consists of costs of materials and subcontracting. Our direct cost was HK\$90.4 million, HK\$76.8 million, HK\$86.4 million, HK\$74.8 million and HK\$65.2 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

The following table sets forth the details of our direct cost:

	Year ended June 30,						10 months ended April 30,			
	2013		2014		2015		2015		2016	
	HK\$'000	% of total direct cost	HK\$'000	% of total direct cost	HK\$'000	% of total direct cost	HK\$'000	% of total direct cost	HK\$'000	% of total direct cost
Materials	58,881	65.1%	50,371	65.6%	56,080	64.9%	53,459	71.5%	55,852	85.7%
Subcontracting	25,394	28.1%	17,847	23.2%	24,167	28.0%	15,921	21.3%	2,382	3.7%
Logistic	2,374	2.6%	5,958	7.8%	3,726	4.3%	3,375	4.5%	4,794	7.4%
Others	<u>3,751</u>	4.2%	<u>2,575</u>	3.4%	<u>2,403</u>	2.8%	<u>2,041</u>	2.7%	<u>2,147</u>	3.2%
Total	<u>90,400</u>	100.0%	<u>76,751</u>	100.0%	<u>86,376</u>	100.0%	<u>74,796</u>	100.0%	<u>65,175</u>	100.0%

FINANCIAL INFORMATION

Materials

Our direct cost of materials was HK\$58.9 million, HK\$50.4 million, HK\$56.1 million, HK\$53.5 million and HK\$55.9 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 65.1%, 65.6%, 64.9%, 71.5% and 85.7% of our total direct cost for the same period. As it is our strategy to focus more on millwork and furniture provision, we expect our direct cost of materials will continue to account for a substantial portion of our total direct cost.

Subcontracting

Our direct cost of subcontracting was HK\$25.4 million, HK\$17.8 million, HK\$24.2 million, HK\$15.9 million and HK\$2.4 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 28.1%, 23.2%, 28.0%, 21.3% and 3.7% of our total direct cost for the same period. As we expect the proportion of revenue from interior solutions to total revenue will decrease, we expect the proportion of our direct cost of subcontracting to total direct cost will decrease accordingly.

Gross profit and gross margin

Our gross profit was HK\$33.4 million, HK\$37.0 million, HK\$44.2 million, HK\$39.3 million and HK\$35.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Our gross profit margin was 27.0%, 32.6%, 33.9%, 34.4% and 35.4% for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Our gross profit margin increased primarily due to (i) our improvement of production methodology, for instance, the improvement of fabrication and joinery technique which reduced the cost per furniture by 51% and development of a custom method to produce from double layering to simple layering with the same effect which reduced the cost per wood panel by 17%; and (ii) our creative use of cost effective materials such as replacing brass with steel which reduced the cost per unit of furniture by 36% and replacing solid wood with metal with wood veneer which reduced the cost per showcase by 15%. The aforementioned ways to improve production methodology and use of cost effective materials may not be applicable to all types of furniture our Company provided to all of our clients as our Company provides bespoke and total interior design solutions to our clients. During the Track Record Period, our Company developed a number of ways to improve production methodology for different projects and used cost effective materials according to the specific requirements of its clients in order to save cost and therefore, the percentage of cost saved per furniture varies.

Other income

Our other income was HK\$3,000, HK\$3,000, HK\$4,000, HK\$2,000 and HK\$3,000 for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Other income consists of bank interest income and sundry income.

Other gains

Our other gains was nil, HK\$306,000, HK\$44,000, HK\$44,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Other income consists of gain on disposal of property, plant and equipment and net exchange gain.

FINANCIAL INFORMATION

Administrative expenses

The following table set forth our administrative expenses for the periods indicated:

	2013		Year ended June 30, 2014		2015		10 months ended April 30, 2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Employee benefit expenses	6,517	52.0%	7,663	58.9%	8,934	57.2%	7,794	58.4%	10,942	69.7%
Rental expenses	500	4.0%	729	5.6%	876	5.6%	793	5.9%	1,073	6.8%
Depreciation	234	1.9%	536	4.1%	531	3.4%	451	3.4%	431	2.7%
Motor vehicle expenses	1,376	11.0%	1,513	11.7%	665	4.3%	561	4.2%	283	1.8%
Entertainment	1,265	10.1%	729	5.6%	949	6.1%	740	5.5%	151	1.0%
Traveling expenses	918	7.3%	389	3.0%	612	3.9%	522	3.9%	439	2.8%
Others	1,713	13.7%	1,447	11.1%	3,048	19.5%	2,495	18.7%	2,389	15.2%
Total	12,523	100.0%	13,006	100.0%	15,615	100.0%	13,356	100.0%	15,708	100.0%

Our administrative expenses was HK\$12.5 million, HK\$13.0 million, HK\$15.6 million, HK\$13.4 million and HK\$15.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Employee benefit expenses and rental expenses were the two largest cost components. During the Track Record Period, our employee benefit expenses were HK\$6.5 million, HK\$7.7 million, HK\$8.9 million, HK\$7.8 million and HK\$10.9 million respectively. Employee benefit expenses primarily consist of salaries and other employees' benefits. The overall increase of the employee benefit expenses was mainly due to the increase of the number of employees. In addition, during the Track Record Period, our rental expenses were HK\$0.5 million, HK\$0.7 million, HK\$0.9 million, HK\$0.8 million and HK\$1.1 million respectively. The overall increase of the rental expenses was mainly due to the higher monthly rental expenses after the renewal of the tenancy agreement of our office in October 2013.

[REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total expenses for [REDACTED] are estimated to be approximately HK\$24.6 million, of which approximately HK\$10.6 million was recognized as [REDACTED] in our consolidated statements of comprehensive income during the 10 months ended April 30, 2016. We expect to incur additional [REDACTED] of approximately HK\$0.6 million and HK\$4.9 million which will be recognized as [REDACTED] for the two years ending June 30, 2016 and 2017 respectively. The balance of approximately HK\$8.5 million is expected to be recognized as a deduction in equity upon [REDACTED].

In view of the above, our Directors are of the view that the one-off [REDACTED], which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending June 30, 2016. We wish to emphasize that the aforesaid amount of [REDACTED] is a current estimate for reference only and the final amount to be recognized in our consolidated statements of comprehensive income for the year ending June 30, 2016 which will be subject to adjustments based on audit and changes in variables and assumptions.

FINANCIAL INFORMATION

Operating costs

The following table sets forth our operating costs (excluding the [REDACTED]) with breakdown by variable and fixed costs for the periods indicated:

	2013		Year ended June 30, 2014		2015		10 months ended April 30, 2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Variable costs	90,400	87.8%	76,751	85.5%	86,376	84.7%	74,796	84.8%	65,175	80.6%
Fixed costs	12,523	12.2%	13,006	14.5%	15,615	15.3%	13,356	15.2%	15,708	19.4%
Total	102,923	100.0%	89,757	100.0%	101,991	100.0%	88,152	100.0%	80,883	100.0%

During the Track Record Period, our variable costs were direct cost which primarily consists of materials and subcontracting. For detail analysis of our direct cost, please refer to the section headed “Financial Information — Direct cost”. Our fixed costs were administrative expenses which primarily consist of employee benefit expenses and rental expenses, and the detail analysis is set out on the section headed “Financial Information — Administrative expenses”.

The proportion of our fixed costs increased from 15.2% for the 10 months ended April 30, 2015 to 19.4% for the 10 months ended April 30, 2016. It was primarily due to the increase in our employee benefit expenses and rental expenses.

Operating profit

As a result of the foregoing, our operating profit was HK\$20.8 million, HK\$24.4 million, HK\$28.6 million, HK\$26.0 million and HK\$9.4 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

For the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, our Group had 4, 3, 2 and 1 projects with total project costs exceed contract sum respectively. The amount of project loss for each of the Track Record Period was HK\$113,528, HK\$493,563, HK\$544,260 and HK\$131,331 respectively. The reasons for incurring project loss were primarily due to the extra costs spent on the reproduction, subcontracting and the relevant urgent delivery, resulting from the subsequent design changes requested by our Group’s clients. In order to maintain a good and long-term relationship with existing and new clients, such extra costs were waived by our Group. In particular, a Macau project with loss of approximately HK\$397,000 was incurred by CX (Macau) in the financial year ended June 30, 2015, which resulted in the net loss of approximately HK\$425,000 for the same period.

Our Directors consider such loss for each of the Track Record Period was insignificant to our Group and will not have any material adverse impact to our Group’s financial condition as a whole.

Finance costs

Finance costs primarily consist of interest on finance leases of office equipment. Our finance costs was HK\$7,000, HK\$5,000, HK\$3,000, HK\$3,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. During the Track Record Period, our finance costs decreased due to the reduction on outstanding principal of the equipment under finance leases. Our finance leases of office equipment was terminated during the year end June 30, 2015.

FINANCIAL INFORMATION

Income tax expenses

The following table sets forth our income tax expenses for the periods indicated:

	Year ended June 30,			10 months ended April 30,	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Current tax — Hong Kong profit tax — tax for the year	3,508	4,110	4,860	4,423	2,984
Current tax — overseas profit tax — tax for the year	2	2	4	2	220
Deferred tax expense (credit)	<u>12</u>	<u>52</u>	<u>(15)</u>	<u>—</u>	<u>(21)</u>
Total	<u><u>3,522</u></u>	<u><u>4,164</u></u>	<u><u>4,849</u></u>	<u><u>4,425</u></u>	<u><u>3,183</u></u>

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands or the British Virgin Islands.

We are subject to the Hong Kong profit tax at the tax rate of 16.5% of the estimated assessable profits during the Track Record Period.

Our PRC subsidiary, Crosstec (Shenzhen), is subject to PRC Enterprise Income Tax at the tax rate of 25% during the Track Record Period.

Taxation on our Macau subsidiary, CX (Macau), is calculated at the rate prevailing in the Macau jurisdiction. As CX (Macau) was dormant from December 17, 2013, being the date of its incorporation, to June 30, 2014, it did not derive any income during this period. CX (Macau) engaged in the provision of total interior design solutions for the year ended June 30, 2015 and recorded a loss in the same year. Therefore, no provision for Macau profits tax had been made as CX (Macau) had no assessable income for the years ended June 30, 2013, 2014 and 2015. For the 10 months ended April 30, 2016, our Macau subsidiary recorded profit before tax of approximately HK\$1.6 million, which is subject to profit tax at the tax rate of 12%.

During the Track Record Period, over 80% of our revenue was generated from Crosstec International. All projects of Crosstec International were principally negotiated and concluded at our Hong Kong office via emails or quotations, and the respective work was also carried out in Hong Kong. Therefore, the revenue was subject to Hong Kong profit tax. During the Track Record Period, our Group had certain overseas projects related to millwork and furniture provision and facade development and fabrication in which the revenue generated from these overseas projects were recognized as sale of goods. Our Group was not required to pay overseas import tax in relation to the delivery of goods and the related import tax were borne by our clients. For those overseas projects, the staff of our Group may be required to conduct on-site survey at the planning stage and to provide on-site follow-up for the

FINANCIAL INFORMATION

installation of furniture and facade by our clients on a needed basis. Our Directors confirmed that these on-site activities are immaterial to the whole contract. Therefore, our Directors concluded that the foreign tax impact on our Group as a result of these overseas activities (if any) is remote.

Our effective income tax rates for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 were 16.9%, 17.1%, 16.9%, 17.0% and 33.8% respectively. During the Track Record Period, our effective income tax rates had been stable.

During the Track Record Period, we paid all relevant taxes and had no disputes or any unsolved tax issues with the relevant tax authorities.

Overseas tax exposure from interior solution projects in other Asian countries

During the Track Record Period, our Group’s revenue from Asian countries, other than Hong Kong and the PRC, accounted for 15.5% to 25.7% of our total revenue. The table sets forth our revenue by region for the Track Record Period is set out in the section headed “Financial Information — Consolidated Statements of Comprehensive Income — revenue”. The aforesaid revenue included revenue from all business segments, namely (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions, and (iv) design and project consultancy.

For the overseas projects relating to millwork and furniture provision and facade development and fabrication, our Group was not involved in the provision of fit-out construction services for the installation of furniture and facade. Instead, the installation was handled by the local fit-out contractors engaged by our Group’s clients. Therefore, revenue generated from these overseas projects was recognized as sale of goods during the Track Record Period and were subject to Hong Kong profits tax.

For interior solutions which involved the on-site services for the installation and/or fit-out work construction, our Group was not involved in conducting the installation and fit-out work construction and all such works were subcontracted by our Group to local third party fit-out contractors in other Asian countries.

During the Track Record Period, among the aforesaid revenue, our Group’s revenue generated from the interior solutions projects, other than the shop locations in Hong Kong and the PRC, are all derived from Macau and are further analysed below:

Company	Note	FY2013	FY2014	FY2015	PE 30.4.2016	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CX (Macau)	<i>i</i>	—	—	3,061	5,709	8,770
Crosstec International	<i>ii</i>	—	—	6,977	16	6,993
Total		—	—	10,038	5,725	15,763

FINANCIAL INFORMATION

Notes:

- i. The total revenue of HK\$8.8 million was derived from two interior solutions projects in Macau. The contracting party to those projects was CX (Macau) and it is subject to Macau complementary tax (i.e. Macau corporate income tax) at 12%.
- ii. The total revenue of HK\$7.0 million was derived from one interior solutions project in Macau (the "Macau project") and was included in the computation of Hong Kong profits tax in the respective financial year/period as Crosstec International was the contracting party to this project.

The potential tax exposure in respect of the Macau Project carried out by Crosstec International would generally be dependent on whether the Macau customer would claim deduction on the payment of contract sum in its tax return. If the Macau customer had claimed deduction on the payment of contract sum, it would have had requested Crosstec International to obtain a tax registration in Macau in respect of the fee payments. Our Directors confirmed that Crosstec International has not been requested by the Macau customer to obtain a tax registration in Macau in respect of the project income.

Should Crosstec International be required to make a tax registration register in Macau, the income derived from the Macau Project would be subject to Macau complementary tax. The tax would generally be calculated based on a deemed profit rate not exceeding 10%. For 2015, any profit exceeding the threshold of MOP600,000 would be subject to Macau complementary tax at a flat rate of 12%. For illustration purpose only, the potential Macau complementary tax impact in respect of the revenue derived from the Macau Project would be around HK\$14,000 (i.e. (Revenue HK\$6,993,000 x deemed profit rate 10% – MOP600,000/exchange rate 1.03) x tax rate 12%) which is considered as insignificant to our Group's overall financial position.

Profit for the year

As a result of the foregoing, our profit for the year was HK\$17.3 million, HK\$20.2 million, HK\$23.8 million, HK\$21.6 million and HK\$6.2 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Comparison for the 10 months ended April 30, 2016 to the 10 months ended April 30, 2015

Revenue

Our revenue decreased from HK\$114.1 million for the 10 months ended April 30, 2015 to HK\$100.8 million for the 10 months ended April 30, 2016, representing a decrease of 11.6%. The decrease in our revenue was primarily due to the decrease in revenue generated from interior solutions because of local economic downturn, partially off-set by the increase in revenue generated from millwork and furniture provision because of the increase in demand from our client.

Millwork and furniture provision

Our revenue from millwork and furniture provision increased from HK\$48.5 million for the 10 months ended April 30, 2015 to HK\$66.9 million for the 10 months ended April 30, 2016, representing an increase of 38.0%. The increase in our revenue from millwork and furniture provision was primarily due to our strategy to focus more on this segment. And also, the expansion plans of our major clients also focused more on oversea markets, which increased their demands of our millwork and furniture.

FINANCIAL INFORMATION

Facade development and fabrication

Our revenue from facade development and fabrication increased from HK\$6.2 million for the 10 months ended April 30, 2015 to HK\$18.7 million for the 10 months ended April 30, 2016, representing an increase of 200.0%. The increase in our revenue from facade development and fabrication was primarily due to the global launch of new concept by one of our major clients which increased our revenue generated from facade development and fabrication for the 10 months ended April 30, 2016.

Interior solutions

Our revenue from interior solutions decreased from HK\$58.3 million for the 10 months ended April 30, 2015 to HK\$14.8 million for the 10 months ended April 30, 2016, representing a decrease of 74.6%. The decrease in our revenue from interior solutions was primarily due to our strategy to focus more on millwork and furniture provision and the local economic downturn.

Design and project consultancy

Our revenue from design and project consultancy decreased from HK\$1.1 million for the 10 months ended April 30, 2015 to HK\$0.4 million for the 10 months ended April 30, 2016, representing a decrease of 64.5%. The decrease in our revenue from design and project consultancy was primarily due to the limited resources allocated to design and project consultancy because the percentage of revenue generated from this segment was significantly lower than the other segments historically.

Direct cost

Our direct cost decreased from HK\$74.8 million for the 10 months ended April 30, 2015 to HK\$65.2 million for the 10 months ended April 30, 2016, representing a decrease of 12.9%. The decrease in our direct cost was primarily due to the decrease in our revenue for the 10 months ended April 30, 2016 compared to the 10 months ended April 30, 2015.

Materials

Our direct cost of materials increased by 4.5%, from HK\$53.5 million for the 10 months ended April 30, 2015 to HK\$55.9 million for the 10 months ended April 30, 2016. The increase was primarily due to the increase in demands of our millwork and furniture from our major clients, partially off-set by the decrease in our revenue for the 10 months ended April 30, 2016 compared to the 10 months ended April 30, 2015.

Subcontracting

Our direct cost of subcontracting decreased by 85.0%, from HK\$15.9 million for the 10 months ended April 30, 2015 to HK\$2.4 million for the 10 months ended April 30, 2016. The significant decrease was primarily due to the decrease in our revenue from interior solutions, as it is our strategy to focus more on millwork and furniture provision.

FINANCIAL INFORMATION

Gross profit and gross margin

As a result of the foregoing, our gross profit decreased by 9.2% from HK\$39.3 million for the 10 months ended April 30, 2015 to HK\$35.7 million for the 10 months ended April 30, 2016. Our gross profit margin increased from 34.4% for the 10 months ended April 30, 2015 to 35.4% for the 10 months ended April 30, 2016.

Other income

Our other income increased by 50% from HK\$2,000 for the 10 months ended April 30, 2015 to HK\$3,000 for the 10 months ended April 30, 2016 as a result of the increase in bank interest income.

Other gains

Our other gains decreased from HK\$44,000 for the 10 months ended April 30, 2015 to nil for the 10 months ended April 30, 2016 as a result of the decrease in exchange gain due to the change in currency exchange rates of the foreign currency deposit of our Company.

Administrative expenses

Our administrative expenses increased by 17.6% from HK\$13.4 million for the 10 months ended April 30, 2015 to HK\$15.7 million for the 10 months ended April 30, 2016. The increase in administrative expenses was primarily due to the increase in employee benefit expenses by HK\$3.1 million and the increase in number of employees from 19 to 26. The increase in employee benefit expenses by HK\$3.1 million included a one-off special bonus of HK\$1.4 million to the employee for their effort in relation to the preparation of [REDACTED].

[REDACTED]

The [REDACTED] of our Company for the 10 months ended April 30, 2016 was HK\$10.6 million, which is one-off in nature and will not affect our future financial performance.

Operating profit

As a result of the foregoing, our operating profit decreased by 63.8% from HK\$26.0 million for the 10 months ended April 30, 2015 to HK\$9.4 million for the 10 months ended April 30, 2016.

Finance costs

Our finance costs decreased from HK\$3,000 for the 10 months ended April 30, 2015 to nil for the 10 months ended April 30, 2016 as a result of the decrease in interests on finance leases due to the termination of our finance leases of office equipment during the year ended June 30, 2015.

Income tax expenses

Our income tax expenses decreased by 28.1% from HK\$4.4 million for the 10 months ended April 30, 2015 to HK\$3.2 million for the 10 months ended April 30, 2016. The decrease in income tax expenses was primarily due to the decrease in our profit before income tax due to the increase in employee benefit expenses and decrease in gross profit by HK\$3.6 million.

FINANCIAL INFORMATION

Profit for the 10 months

As a result of the foregoing, our profit for the year decreased by 71.1% from HK\$21.6 million for the 10 months ended April 30, 2015 to HK\$6.2 million for the 10 months ended April 30, 2016. Our net profit margin decreased from 18.9% for the 10 months ended April 30, 2015 to 6.2% for the 10 months ended April 30, 2016, primarily due to the non-deductible [REDACTED] of HK\$10.6 million and the increase in employee benefit expenses.

Comparison of the financial year ended June 30, 2015 to the financial year ended June 30, 2014

Revenue

Our revenue increased from HK\$113.8 million for the year ended June 30, 2014 to HK\$130.6 million for the year ended June 30, 2015, representing an year-on-year increase of 14.7%. The increase in our revenue was primarily due to the increase in revenue from interior solutions because of the expansion of one of our major clients in Asia.

Millwork and furniture provision

Our revenue from millwork and furniture provision decreased from HK\$64.7 million for the year ended June 30, 2014 to HK\$57.9 million for the year ended June 30, 2015, representing an year-on-year decrease of 10.5%. Our revenue generated from millwork and furniture provision decreased because the demand of interior solutions services increased, leading to our increase in resources allocation to that segment.

Facade development and fabrication

Our revenue from facade development and fabrication decreased from HK\$8.3 million for the year ended June 30, 2014 to HK\$6.8 million for the year ended June 30, 2015, representing a year-on-year decrease of 18.2%. The decrease in our revenue from facade development and fabrication was primarily due to a change in revenue mix as a result of increased proportion of interior solutions.

Interior solutions

Our revenue from interior solutions increased from HK\$40.7 million for the year ended June 30, 2014 to HK\$64.8 million for the year ended June 30, 2015, representing an year-on-year increase of 59.0%. The increase in our revenue from interior solutions was primarily due to the increase in demand from our client on this segment, leading to our increase in resources allocation to this segment.

Design and project consultancy

Our revenue from design and project consultancy increased from HK\$5,000 for the year ended June 30, 2014 to HK\$1,099,000 for the year ended June 30, 2015, representing an year-on-year increase of 21,880.0%. The increase in our revenue from design and project consultancy was primarily due to the engagement of two new clients.

FINANCIAL INFORMATION

Direct cost

Our direct cost increased from HK\$76.8 million for the year ended June 30, 2014 to HK\$86.4 million for the year ended June 30, 2015, representing a year-on-year increase of 12.5%. The increase in our direct cost was primarily due to the increase in our revenue for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Materials

Our direct cost of materials increased by 11.3%, from HK\$50.4 million for the year ended June 30, 2014 to HK\$56.1 million for the year ended June 30, 2015. The increase was primarily due to the increase in our revenue for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Subcontracting

Our direct cost of subcontracting increased by 35.4%, from HK\$17.8 million for the year ended June 30, 2014 to HK\$24.2 million for the year ended June 30, 2015. The significant increase was primarily due to the increase in our revenue from interior solutions, which was driven by the increase in demand from our client on this segment.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 19.3% from HK\$37.0 million for the year ended June 30, 2014 to HK\$44.2 million for the year ended June 30, 2015. Our gross profit margin increased from 32.6% for the year ended June 30, 2014 to 33.9% for the year ended June 30, 2015 because of the purchase of millwork and furniture in bulk which created economy of scale.

Other income

Our other income increased by 33.3% from HK\$3,000 for the year ended June 30, 2014 to HK\$4,000 for the year ended June 30, 2015 as a result of the increase in bank interest income.

Other gains

Our other gains decreased by 85.6% from HK\$306,000 for the year ended June 30, 2014 to HK\$44,000 for the year ended June 30, 2015.

Administrative expenses

Our administrative expenses increased by 20.1% from HK\$13.0 million for the year ended June 30, 2014 to HK\$15.6 million for the year ended June 30, 2015. The increase in administrative expenses was primarily due to the increase in employees' compensation levels and the provision of doubtful debts of HK\$1.0 million.

Operating profit

As a result of the foregoing, our operating profit increased by 17.6% from HK\$24.4 million for the year ended June 30, 2014 to HK\$28.6 million for the year ended June 30, 2015.

FINANCIAL INFORMATION

Finance costs

Our finance costs decreased by 40.0% from HK\$5,000 for the year ended June 30, 2014 to HK\$3,000 for the year ended June 30, 2015 as a result of the decrease in interests on finance leases due to the reduction on outstanding principal of office equipment under finance leases.

Income tax expenses

Our income tax expenses increased by 16.5% from HK\$4.2 million for the year ended June 30, 2014 to HK\$4.8 million for the year ended June 30, 2015. The increase in income tax expenses was primarily due to the increase in our profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 17.8% from HK\$20.2 million for the year ended June 30, 2014 to HK\$23.8 million for the year ended June 30, 2015. Our net profit margin increase from 17.7% for the year ended June 30, 2014 to 18.2% for the year ended June 30, 2015 because of the increase in gross profit.

Comparison of the financial year ended June 30, 2014 to the financial year ended June 30, 2013

Revenue

Our revenue decreased from HK\$123.8 million for the year ended June 30, 2013 to HK\$113.8 million for the year ended June 30, 2014, representing an year-on-year decrease of 8.1%. The decrease in our revenue was primarily due to the decrease in the revenue generated from interior solutions, which is partially off-set by the increase in revenue generated from our millwork and furniture provision.

Millwork and furniture provision

Our revenue from millwork and furniture provision increased from HK\$38.4 million for the year ended June 30, 2013 to HK\$64.7 million for the year ended June 30, 2014, representing an year-on-year increase of 68.4%. The increase in our revenue from millwork and furniture provision was primarily due to the global launch of new concept by one of our major clients which increased our revenue generated from millwork and furniture provision for the year ended June 30, 2014.

Facade development and fabrication

Our revenue from facade development and fabrication decreased from HK\$16.2 million for the year ended June 30, 2013 to HK\$8.3 million for the year ended June 30, 2014, representing a year-on-year decrease of 48.3%. The decrease in our revenue from facade development and fabrication was primarily due to the increase in demand of millwork and furniture provision, leading to our increase in resources allocation to that segment.

FINANCIAL INFORMATION

Interior solutions

Our revenue from interior solutions decreased from HK\$69.1 million for the year ended June 30, 2013 to HK\$40.7 million for the year ended June 30, 2014, representing an year-on-year decrease of 41.1%. The decrease in our revenue from interior solutions was primarily due to the completion of a major interior solutions project of one of our major clients in the year ended 30 June 2013 and our strategy to focus more on millwork and furniture provision.

Design and project consultancy

Our revenue from design and project consultancy decreased from HK\$35,000 for the year ended June 30, 2013 to HK\$5,000 for the year ended June 30, 2014, representing an year-on-year decrease of 85.7%. The decrease in our revenue from design and project consultancy was primarily due to normal business fluctuation.

Direct cost

Our direct cost decreased from HK\$90.4 million for the year ended June 30, 2013 to HK\$76.8 million for the year ended June 30, 2014, representing a year-on-year decrease of 15.1%. The decrease in our direct cost was primarily due to the decrease in our revenue for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Materials

Our direct cost of materials decreased by 14.5%, from HK\$58.9 million for the year ended June 30, 2013 to HK\$50.4 million for the year ended June 30, 2014. The decrease was primarily due to the decrease in our revenue for the year ended June 30, 2014 compared to the year ended June 30, 2013 and our improvement of production methodology and cost control measures.

Subcontracting

Our direct cost of subcontracting decreased by 29.7%, from HK\$25.4 million for the year ended June 30, 2013 to HK\$17.8 million for the year ended June 30, 2014. The decrease was primarily due to the decrease in our revenue from interior solutions.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 11% from HK\$33.4 million for the year ended June 30, 2013 to HK\$37.0 million for the year ended June 30, 2014. Our gross profit margin increased from 27% for the year ended June 30, 2013 to 32.6% for the year ended June 30, 2014, primarily due to our improvement of production methodology and cost control measures as reflected in drop of direct costs during the same period.

Other income

Our other income remained at HK\$3,000 for the year ended June 30, 2013 and 2014.

FINANCIAL INFORMATION

Other gains

Our other gains increased from nil for the year ended June 30, 2013 to HK\$0.3 million for the year ended June 30, 2014 as a result of the increase in exchange gain.

Administrative expenses

Our administrative expenses increased by 3.9% from HK\$12.5 million for the year ended June 30, 2013 to HK\$13.0 million for the year ended June 30, 2014. The increase in administrative expenses was primarily due to the increase in employees' compensation levels and the increase in depreciation expenses.

Operating profit

As a result of the foregoing, our operating profit increased by 16.8% from HK\$20.8 million for the year ended June 30, 2013 to HK\$24.4 million for the year ended June 30, 2014.

Finance costs

Our finance costs decreased by 28.6% from HK\$7,000 for the year ended June 30, 2013 to HK\$5,000 for the year ended June 30, 2014 as a result of the decrease in interests on finance leases due to the reduction on outstanding principal of the equipment under finance leases.

Income tax expenses

Our income tax expenses increased by 18.2% from HK\$3.5 million for the year ended June 30, 2013 to HK\$4.2 million for the year ended June 30, 2014. The increase in income tax expenses was primarily due to the increase in our profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 16.5% from HK\$17.3 million for the year ended June 30, 2013 to HK\$20.2 million for the year ended June 30, 2014. Our net profit margin increase from 14.0% for the year ended June 30, 2013 to 17.7% for the year ended June 30, 2014 because we gravitated towards projects with higher profitability.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

		As at June 30,			As at
	Notes	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	April 30, 2016 HK\$'000
Non-current assets					
Property, plant and equipment	13	538	1,068	561	1,155
		<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,155</u>
Current assets					
Amounts due from customers for contract work	14	1,493	542	—	—
Trade and other receivables	15	27,093	29,598	18,454	28,427
Amount due from a director	16	6,339	750	—	—
Amounts due from related companies	16	880	882	25	—
Cash and cash equivalents	17	34,843	23,027	30,046	24,843
		<u>70,648</u>	<u>54,799</u>	<u>48,525</u>	<u>53,270</u>
Total assets		<u>71,186</u>	<u>55,867</u>	<u>49,086</u>	<u>54,425</u>
Current liabilities					
Amounts due to customers for contract work	14	2,960	289	—	—
Trade and other payables	18	54,698	42,146	29,344	36,807
Amount due to a director	16	—	—	3,699	10,655
Amount due to a related company	16	169	—	—	—
Obligation under finance leases	19	31	33	—	—
Current tax liabilities		3,754	7,600	6,535	3,310
		<u>61,612</u>	<u>50,068</u>	<u>39,578</u>	<u>50,772</u>
Net current assets		<u>9,036</u>	<u>4,731</u>	<u>8,947</u>	<u>2,498</u>
Total assets less current liabilities		<u>9,574</u>	<u>5,799</u>	<u>9,508</u>	<u>3,653</u>
Non-current liabilities					
Obligation under finance leases	19	92	59	—	—
Deferred tax liabilities	20	12	64	49	28
		<u>104</u>	<u>123</u>	<u>49</u>	<u>28</u>
Total liabilities		<u>61,716</u>	<u>50,191</u>	<u>39,627</u>	<u>50,800</u>
NET ASSETS		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>3,625</u>
Capital and Reserves					
Share capital	21	100	125	125	—
Reserves	22	9,370	5,551	9,334	3,625
TOTAL EQUITY		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>3,625</u>

FINANCIAL INFORMATION

Property, plant and equipment

Our property, plant and equipment primarily consist of furniture and fixtures, office equipment and motor vehicles. We had property, plant and equipment of HK\$0.5 million, HK\$1.1 million, HK\$0.6 million and HK\$1.2 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. Our property, plant and equipment increased by 98.5% from HK\$0.5 million as at June 30, 2013 to HK\$1.1 million as at June 30, 2014 primary due to the purchase of motor vehicles. Our property, plant and equipment decreased by 47.5% from HK\$1.1 million as at June 30, 2014 to HK\$0.6 million as at June 30, 2015 because the increase in accumulated depreciation is larger than the increase in office equipment. Our property, plant and equipment increased by 105.9% from HK\$0.6 million as at June 30, 2015 to HK\$1.2 million as at April 30, 2016 primary due to the purchase of furniture and fixtures and office equipment.

Amounts due from/to customers for contract work

Our revenue from interior solutions is recognized based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measure reliably. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers.

The following table sets forth the details of our amount due from/to customers for contract work:

	As at June 30,			As at
	2013	2014	2015	April 30,
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Contracts in progress at the end of reporting periods:				
Contract costs incurred	16,491	11,886	—	773
Recognised profits less recognised losses	<u>5,195</u>	<u>2,573</u>	<u>—</u>	<u>348</u>
	21,686	14,459	—	1,121
Less: progress billings	<u>(23,153)</u>	<u>(14,206)</u>	<u>—</u>	<u>(1,121)</u>
	<u>(1,467)</u>	<u>253</u>	<u>—</u>	<u>—</u>
Represented by:				
Amounts due from customers for contract work	1,493	542	—	—
Amounts due to customers for contract work	<u>(2,960)</u>	<u>(289)</u>	<u>—</u>	<u>—</u>
	<u>(1,467)</u>	<u>253</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

Our amounts due from customers for contract work was HK\$1.5 million, HK\$0.5 million, nil and nil as at June 30, 2013, 2014 and 2015 and April 30, 2016. The continuous decrease in our amounts due from customers for contract work is primarily due to the completion of interior solutions projects before June 30, 2015 and April 30, 2016.

Our amounts due to customers for contract work was HK\$3.0 million, HK\$0.3 million, nil and nil as at June 30, 2013, 2014 and 2015 and April 30, 2016. The continuous decrease in our amount due to customers for contract work is primary due to the completion of interior solutions projects before June 30, 2015 and April 30, 2016.

Trade and other receivables

Our trade and other receivables primarily consist of trade receivables, retention receivables, other receivables and prepayments. We had trade and other receivables of HK\$27.1 million, HK\$29.6 million, HK\$18.5 million and HK\$28.4 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

The following table sets forth the details of our trade and other receivables:

	As at June 30,			As at April 30,
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,073	14,331	9,956	19,150
Retention receivables	446	—	1,640	617
Other receivables	1,079	3,461	399	924
Prepayments	14,495	11,806	6,459	7,736
	27,093	29,598	18,454	28,427

Trade receivables

Our trade receivables are non-interest bearing and our Group does not hold any collateral or other credit enhancements over these balances. During the Track Record Period, we had trade receivables of HK\$11.1 million, HK\$14.3 million, HK\$10.0 million and HK\$19.2 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

	As at June 30,			As at April 30,
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,073	14,331	9,956	19,150
Less: provision for impairment on trade receivables	—	—	—	—
	11,073	14,331	9,956	19,150

FINANCIAL INFORMATION

Our trade receivables was primarily in line with our revenue during Track Record Period. Our trade receivables increased by 29.4% from HK\$11.1 million as at June 30, 2013 to HK\$14.3 million as at June 30, 2014 and decreased by 30.5% from HK\$14.3 million as at June 30, 2014 to HK\$10.0 million as at June 30, 2015. Our Group's business is project-based of which our trade receivable is subject to the progress and number of projects as at the reporting date. Our trade receivables increased by 92.3% from HK\$10.0 million as at June 30, 2015 to a normal level of HK\$19.2 million as at April 30, 2016 primary due to the 60 days credit period granted to our major client in Americas with an outstanding trade receivable of HK\$2.5 million as at April 30, 2016 and the completion of a project close to the end of the 10 months period.

Except for one client with 60 days credit period granted, no credit period is granted by our Group to our customers but application for progress payment of projects is made on a regular basis. The table below sets forth an aging analysis of our trade receivables presented based on the invoice dates:

	As at June 30,			As at
	2013	2014	2015	April 30, 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 1 month	5,712	3,745	4,646	5,143
1 to 3 months	693	5,222	4,468	7,272
3 months to 6 months	321	915	388	6,223
More than 6 months but less than one year	2,330	2,490	—	512
More than one year	<u>2,017</u>	<u>1,959</u>	<u>454</u>	<u>—</u>
	<u><u>11,073</u></u>	<u><u>14,331</u></u>	<u><u>9,956</u></u>	<u><u>19,150</u></u>

The table below sets forth the movements in provision for impairment of trade receivables:

	As at June 30,			As at
	2013	2014	2015	April 30, 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year/period	300	—	—	—
Impairment losses recognised	67	2	965	—
Bad debts written off	<u>(367)</u>	<u>(2)</u>	<u>(965)</u>	<u>—</u>
At the end of the year/period	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

The aging debt profile of trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable. Our Group would assess the recoverability problem of individual clients with outstanding balance aged over 90 days. Management would consider their actual situation, such as whether they have continuity in projects, the reason of delay in settlement, the length of relationship and the liquidity of the clients. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aging

FINANCIAL INFORMATION

analysis of the trade receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of our Group.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended June 30,			10 months ended
	2013	2014	2015	April 30, 2016
Trade receivables turnover days ⁽¹⁾	36	41	34	44

Note:

- Trade receivables turnover days were calculated based on the averaged of the opening and closing trade receivables divided by revenue for the relevant year multiplied by 365. Trade receivables turnover days for the 10 months ended April 30, 2016 was calculated based on the averaged of the opening and closing trade receivables divided by revenue for the relevant six months multiplied by 365 and divided by two.

Our average trade receivables turnover days had been stable for the three years ended June 30, 2015. Our average trade receivable turnover days increased to 44 days for the 10 months ended April 30, 2016 because a 60 days credit period was granted to one of our new client.

Up to August 22, 2016, HK\$16.8 million of trade receivable have been settled by our clients after the Track Record Period.

Retention receivables

Retention receivables are monies withheld by customers of contract works are released after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. During the Track Record Period, we had retention receivables of HK\$0.4 million, nil, HK\$1.6 million and HK\$0.6 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. The retention receivables are related to customers for whom there was no recent history of default.

Other receivables

Our other receivables primarily consist of amount due from an independent third party for the purchase of materials on their behalf, utility deposits and staff advance for travelling expenses. During the Track Record Period, we had other receivables of HK\$1.1 million, HK\$3.5 million, HK\$0.4 million and HK\$0.9 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. As of Latest Practicable Date, HK\$0.2 million of such amount was settled.

FINANCIAL INFORMATION

Prepayments

Our prepayments mainly represents the advanced payment to suppliers. During the Track Record Period, we had prepayments of HK\$14.5 million, HK\$11.8 million, HK\$6.5 million and HK\$7.7 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. For the period ended April 30, 2016, there was prepayment of [REDACTED] of HK\$3.3 million.

Amounts due from/to a Director and related parties

During the Track Record Period, we entered into various transactions with our Director and related parties. The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As at June 30,			As at
	2013	2014	2015	April 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a Director	6,339	750	—	—
Amount due from related companies	880	882	25	—
Amount due to a Director	—	—	3,699	10,655
Amount due to a related company	169	—	—	—

During the Track Record Period, all the above related parties were beneficially owned by Mr. Lee and all the amount due from/to a Director was from Mr. Lee. The amount due from/to a Director and related parties are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The amount due from a Director during the Track Record Period was the advance to Mr. Lee. For details of these amounts due from/to a Director and related parties, see note 16 to the accountants' report included in Appendix I to this document.

Trade and other payables

Our trade and other payables primarily consist of trade payables, receipts in advance, other payables and accruals and deferred revenue arising from customer incentive programme. We had trade and other payables of HK\$54.7 million, HK\$42.1 million, HK\$29.3 million and HK\$36.8 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

FINANCIAL INFORMATION

The following table sets forth the details of our trade and other payables:

	As at June 30,			As at
	2013	2014	2015	April 30,
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Trade payables	20,089	16,808	13,445	16,948
Receipts in advance	29,862	20,674	11,403	8,311
Other payables and accruals	4,747	4,664	4,496	11,238
Deferred revenue arising from customer incentive programme	—	—	—	310
	<u>54,698</u>	<u>42,146</u>	<u>29,344</u>	<u>36,807</u>

Trade payables

Our trade payables are non-interest bearing and generally have payment terms of 0 to 90 days. During the Track Record Period, we had trade payables of HK\$20.1 million, HK\$16.8 million, HK\$13.4 million and HK\$16.9 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

Our trade payables decreased by 16.3% from HK\$20.1 million as at June 30, 2013 to HK\$16.8 million as at June 30, 2014, in line with the decrease in our revenue. Our trade payables decreased by 20.0% from HK\$16.8 million as at June 30, 2014 to HK\$13.4 million as at June 30, 2015 due to early settlement from one of our major clients. Our trade payables increased by 26.1% from HK\$13.4 million as at June 30, 2015 to HK\$16.9 million as at April 30, 2016. Our Company intended to utilize the credit period granted by our suppliers in order to off-set the 60 days credit period we granted to one of our new clients.

The table below sets forth an aging analysis of our trade payables during the Track Record Period presented based on the invoice dates:

	As at June 30,			As at
	2013	2014	2015	April 30,
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Current or less than 1 month	4,915	4,640	2,663	4,209
1 to 3 months	7,589	3,183	4,717	2,310
4 to 6 months	2,842	3,127	1,709	6,994
7 to 12 months	2,359	2,955	4,196	2,705
More than 1 year	2,384	2,903	160	730
	<u>20,089</u>	<u>16,808</u>	<u>13,445</u>	<u>16,948</u>

FINANCIAL INFORMATION

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended June 30,		10 months ended	
	2013	2014	2015	April 30, 2016
Trade payables turnover days ⁽¹⁾	82	88	64	71

Note:

1. Trade payables turnover days were calculated based on the averaged of the opening and closing trade payables divided by direct cost for the relevant year multiplied by 365.

Our average trade payables turnover days had been stable and within the credit period granted by our suppliers.

Up to the Latest Practicable Date, we have settled trade payables of HK\$14.6 million after the Track Record Period.

For details of our trade and other payables, see note 18 to the accountants' report included in Appendix I to this document.

Current tax liabilities

We had current tax liabilities of HK\$3.8 million, HK\$7.6 million, HK\$6.5 million, and HK\$3.3 million as at June 30, 2013, 2014 and 2015 and April 30, 2016, such amounts were mainly attributable to Crosstec International which recorded current tax liabilities of HK\$3.7 million, HK\$7.6 million, HK\$6.5 million and HK\$3.1 million respectively during the same periods. The provision for current tax liabilities attributable to other group companies were not material.

Since Crosstec International adopts June 30 as its financial year end date, the Hong Kong profits tax filing for a taxpayer who adopts June 30 as its financial year would be due in early May of the following year and the profits tax payment (including provisional tax for next year of assessment) would be due in early November of the same year. In this situation, the profits tax payment in relation to a particular financial year (including provisional tax for next financial year) would normally be made in approximately 16 months after end of the financial year concerned. The profits tax paid by Crosstec International during the years ended June 30, 2013, 2014 and 2015 were HK\$0.7 million, HK\$0.2 million, HK\$6.0 million, respectively. The amounts were substantially lower than the current tax liabilities recognised in Crosstec International which was mainly due to the timing difference in the recognition of provision for current tax liabilities and the profits tax payment made to the Government of Hong Kong as explained above.

The current tax liabilities of Crosstec International recognised as at April 30, 2016 was significantly reduced to HK\$3.1 million due to the profits tax payment of HK\$6.4 million made during the 10 months period ended April 30, 2016. Crosstec International's current tax liabilities of HK\$3.1 million as at April 30, 2016 was at the similar level as to its provision for current tax charged to its Statement of Comprehensive Income during the 10 months period ended April 30, 2016 with an amount of HK\$3.0 million.

FINANCIAL INFORMATION

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our business operations and expansion plans require a significant amount of capital, including the expansion of our design and creative team, establishment of research and development workshop, setting up a sales and marketing team and overseas offices. Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from operations.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended June 30,			10 months ended April 30,	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Net cash from operating activities	34,011	7,613	22,616	16,346	1,577
Net cash used in investing activities	(10,023)	(19,645)	(14,670)	(4,262)	(6,041)
Net cash used in financing activities	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(95)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	23,952	(12,043)	7,851	11,989	(4,464)
Effect of exchange rate changes on cash and cash equivalents	(15)	227	(832)	(811)	(739)
Cash and cash equivalents at beginning of year/period	<u>10,906</u>	<u>34,843</u>	<u>23,027</u>	<u>23,027</u>	<u>30,046</u>
Cash and cash equivalents at end of year/period	<u><u>34,843</u></u>	<u><u>23,027</u></u>	<u><u>30,046</u></u>	<u><u>34,205</u></u>	<u><u>24,843</u></u>

Operating activities

We derived our cash inflow from operating activities primarily through provision of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Cash outflow from operating activities primarily comprises direct cost, administrative expenses, employee benefit expenses and other operating expenses. Our net cash from operating activities reflects our profit or loss before income tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment and the effects of changes in working capital items.

For the 10 months ended April 30, 2016, we had net cash from operating activities of HK\$1.6 million. This amount represents profit for the 10 months before income tax of HK\$9.4 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK\$0.4 million, unrealized exchange loss of HK\$0.7 million, and for changes in certain working capital items

FINANCIAL INFORMATION

that positively affected operating cash flow, mainly the increase in trade and other payables of HK\$7.5 million, and (ii) offset by the increase in trade and other receivables of HK\$10.0 million. The significant decline in the net cash from operating activities for the 10 months ended April 30, 2016 was primarily due to the increase in trade and other receivables of HK\$10.0 million because the Group has granted 60 days credit period for one major client in America during the period, and the completion of a project close to the end of the 10 months period. Up to the Latest Practicable Date, HK\$12.1 million of trade receivable have been settled by our clients after the Track Record Period.

For the year ended June 30, 2015, we had net cash from operating activities of HK\$22.6 million. This amount represent profit for the year before income tax of HK\$28.6 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK\$0.5 million, unrealized exchange loss of HK\$0.8 million, impairment on trade receivables of HK\$1.0 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in trade and other receivables of HK\$10.2 million and the decrease in amount due from customers for contract work of HK\$0.5 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the decrease in trade and other payables of HK\$12.8 million and the decrease in amounts due to customers for contract work of HK\$0.3 million.

For the year ended June 30, 2014, we had net cash from operating activities of HK\$7.6 million. This amount represent profit for the year before income tax of HK\$24.3 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK\$0.5 million, unrealized exchange gain of HK\$0.2 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in amount due from customers for contract work of HK\$1.0 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the increase in trade and other receivables of HK\$2.5 million, the decrease in trade and other payables of HK\$12.6 million and the decrease in amounts due to customers for contract work of HK\$2.7 million. The significant decline in the net cash from operating activities for the year ended June 30, 2014 was primarily due to (i) the increase in trade and other receivables of HK\$2.5 million because of the completion of two major projects at the financial year end and yet to be settled by our customers, and (ii) the decrease in trade and other payables of HK\$12.6 million because of the early settlement to suppliers and utilization of receipts in advance due to the completion of projects at the financial year end.

For the year ended June 30, 2013, we had net cash from operating activities of HK\$34.0 million. This amount represent profit for the year before income tax of HK\$20.8 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK\$0.2 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in trade and other receivables of HK\$11,000, the increase in trade and other payables of HK\$12.0 million and the increase in amounts due to customers for contract work of HK\$3.0 million, and (ii) offset by the increase in amounts due from customers for contract work of HK\$1.4 million.

Investing activities

Our cash used in investing activities reflects our cash used in payment for purchases of property, plant and equipment, advance to Director and advance to related companies. Cash inflow from investing activities mainly comprises repayment from Director, repayment from related companies and proceeds from disposal of property, plant and equipment.

FINANCIAL INFORMATION

For the 10 months ended April 30, 2016, we had net cash outflow from investing activities of HK\$6.0 million, primarily attributable to purchases of property, plant and equipment of HK\$1.0 million in connection with fixture and fitting and office equipment of a newly leased office premise and advance to Director of HK\$5.0 million.

For the year ended June 30 2015, we had net cash outflow from investing activities of HK\$14.7 million, primarily attributable to advance to Director of HK\$15.6 million and offset by repayment from related companies of HK\$0.9 million.

For the year ended June 30, 2014, we had net cash outflow from investing activities of HK\$19.6 million, primarily attributable to purchases of motor vehicle of HK\$1.0 million, advance to Director of HK\$18.4 million and advance to related companies of HK\$0.2 million.

For the year ended June 30, 2013, we had net cash outflow from investing activities of HK\$10.0 million, primarily attributable to purchases of motor vehicle of HK\$0.5 million, advance to Director of HK\$8.9 million and advance to related companies of HK\$0.6 million.

Financing activities

Our cash used in financing activities reflects our cash used in repayment of finance lease payables and interest paid. Cash inflow from investing activities mainly comprises proceed of issue of new shares on incorporation of a new group company. During the Track Record Period, our cash outflow from financing activities were HK\$36,000, HK\$11,000, HK\$95,000 and nil for the year ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016.

FINANCIAL INFORMATION

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth our current assets and liabilities as of the dates indicated:

	As at June 30,			As at	As at
	2013	2014	2015	April 30,	June 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
Current assets					
Amounts due from customers for contract work	1,493	542	—	—	1,694
Trade and other receivables	27,093	29,598	18,454	28,427	34,530
Amount due from a Director	6,339	750	—	—	—
Amounts due from related companies	880	882	25	—	—
Cash and cash equivalents	<u>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>24,843</u>	<u>11,235</u>
Total current assets	<u><u>70,648</u></u>	<u><u>54,799</u></u>	<u><u>48,525</u></u>	<u><u>53,270</u></u>	<u><u>47,459</u></u>
Current liabilities					
Amounts due to customers for contract work	2,960	289	—	—	—
Trade and other payables	54,698	42,146	29,344	36,807	34,920
Amount due to a director	—	—	3,699	10,655	—
Amounts due to a related company	169	—	—	—	—
Obligation under finance leases	31	33	—	—	—
Current tax liabilities	<u>3,754</u>	<u>7,600</u>	<u>6,535</u>	<u>3,310</u>	<u>4,836</u>
Total current liabilities	<u><u>61,612</u></u>	<u><u>50,068</u></u>	<u><u>39,578</u></u>	<u><u>50,772</u></u>	<u><u>39,756</u></u>
Net current assets	<u><u>9,036</u></u>	<u><u>4,731</u></u>	<u><u>8,947</u></u>	<u><u>2,498</u></u>	<u><u>7,703</u></u>

As at June 30, 2016, we had net current assets of HK\$7.7 million compared to net current assets of HK\$2.5 million as at April 30, 2016, primary due to the increase in trade and other receivable of HK\$6.1 million.

As at April 30, 2016, we had net current assets of HK\$2.5 million compared to net current assets of HK\$8.9 million as at June 30, 2015, primarily due to the increase in trade and other receivables of HK\$10.0 million, increase in trade and other payables of HK\$7.5 million and increase in amount due to a director of HK\$7.0 million.

FINANCIAL INFORMATION

As at June 30, 2015, we had net current assets of HK\$8.9 million compared to net current assets of HK\$4.7 million as at June 30, 2014, primarily due to the decrease in amount due from a Director of HK\$0.8 million, the increase in cash and cash equivalents of HK\$7.0 million and the decrease in trade and other payables of HK\$12.8 million.

As at June 30, 2014, we had net current assets of HK\$4.7 million compared to net current assets of HK\$9.0 million as at June 30, 2013, primarily due to the decrease in cash and cash equivalents of HK\$11.8 million.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any material capital expenditures and commitments.

OPERATING LEASES

Our Group leased our office premises and office equipment under operating lease arrangement which were negotiated for terms ranging from one to four years. The table below sets forth details the total future minimum lease payments under our non-cancellable operating leases by due date as of the dates indicated:

	As at June 30,			As at
	2013	2014	2015	April 30,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
				<i>HK\$'000</i>
Not later than one year	123	832	903	1,707
Later than one year and not later than five years	—	1,038	373	2,734
	<u>123</u>	<u>1,870</u>	<u>1,276</u>	<u>4,441</u>

INDEBTEDNESS

As at June 30, 2016, for the purpose of the indebtedness statement, we did not have any bank borrowing and other debts. There were no material covenants relating to the indebtedness of our Group as of June 30, 2016.

As at June 30, 2016, we had a banking facility of HK\$20.0 million that had not been utilized and was available for drawdown. The banking facility was secured by the unlimited personal guarantees executed by Mr. Lee and Ms. Leung, our Controlling Shareholders, and a charge over deposits of amount ranged from nil to HK\$15.0 million maintained at all times depending on the drawdown amount. The maximum amount of unrestricted cash available from the banking facility is HK\$5.0 million. Approval-in-principle has been obtained that all personal guarantees given by Mr. Lee and Ms. Leung, our Controlling Shareholders, in favor of this banking facility will be fully released and discharged upon [REDACTED]. As at the Latest Practicable Date, according to our Directors, the banking facility had not been utilized.

FINANCIAL INFORMATION

Saved as disclosed above, we did not have any bank loans or other borrowings, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of June 30, 2016.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our Company's indebtedness, capital commitments and contingent liabilities since June 30, 2016.

WORKING CAPITAL

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand and cash generated from our operation. We manage our cash flow and working capital by closely monitoring and managing our operations and expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, cash flows from operations and net proceeds from the [REDACTED], our Directors believe that we have sufficient working capital for at least the next 12 months from the date of this document.

DISCLOSURE ABOUT MARKET RISKS

Our Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. Our Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for our Shareholders. As the Directors considers that our Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

For further details, please refer to Note 25 to the accountants' report included in Appendix I to this document.

FINANCIAL INFORMATION

MAJOR FINANCIAL RATIOS

	2013	As at June 30,		As at
	2014	2015	2016	April 30,
	%	%	%	2016
				%
Profitability ratios				
Gross profit margin ⁽¹⁾	27.0	32.6	33.9	35.4
Net profit margin ⁽²⁾	14.0	17.7	18.2	6.2
Return on equity ⁽³⁾	182.9	355.5	251.4	206.1
Return on total assets ⁽⁴⁾	24.3	36.1	48.5	13.7
	2013	As at June 30,		As at
	2014	2015	2016	April 30,
	<i>times</i>	<i>times</i>	<i>times</i>	2016
				<i>times</i>
Liquidity ratios				
Current ratio ⁽⁵⁾	1.1	1.1	1.2	1.0
Quick ratio ⁽⁶⁾	1.1	1.1	1.2	1.0
Capital adequacy ratio				
Gearing ratio ⁽⁷⁾	0.01	0.02	—	—

Notes:

1. The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.
2. The calculation of net profit margin is based on profit for the period divided by revenue and multiplied by 100%.
3. The calculation of return on equity is based on profit for the year attributable to the owners of the company divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.
5. The calculation of current ratio is based on current assets divided by current liabilities.
6. The calculation of quick ratio is based on current assets less inventories divided by current liabilities.
7. The calculation of gearing ratio is based on interest-bearing liabilities divided by total capital.

See the section headed “Financial Information — Review of Historical Results of Operation” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

FINANCIAL INFORMATION

Return on equity

Our return on equity increased from 182.9% for the year ended June 30, 2013 to 355.5% for the year ended June 30, 2014 primarily due to the increase in our net profit. Our return on equity decreased from 355.5% for the year ended June 30, 2014 to 251.4% for the year ended June 30, 2015 primarily due to the increase in our reserves. Our return on equity decreased from 251.4% for the year ended June 30, 2015 to 206.1% for the 10 months ended April 30, 2016 primarily due to the decrease in our net profit.

Return on total assets

Our return on total assets increased from 24.3% for the year ended June 30, 2013 to 36.1% for the year ended June 30, 2014 primarily due to the decrease in total assets due to the decrease in amount due from Director. Our return on total assets increased from 36.1% for the year ended June 30, 2014 to 48.5% for the year ended June 30, 2015 primarily due to the increase in our net profits. Our return on total assets decreased from 48.5% for the year ended June 30, 2015 to 13.7% for the 10 months ended April 30, 2016 primarily due to the decrease in our net profit.

Current ratio

Our current ratio remained stable during the Track Record Period.

Quick ratio

Our quick ratio is the same as current ratio during the Track Record Period because our Group did not hold any inventories.

Gearing ratio

During the Track Record Period, our Group did not have any interest-bearing bank or other borrowings except for obligation under finance lease of HK\$0.1 million for the year ended June 30, 2013 and 2014.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in note 23 of the accountants’ report set out in Appendix I to this document were conducted on normal commercial terms and/or on terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please also refer to the section headed “Connected Transactions” for further details of the related party transactions.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

FINANCIAL INFORMATION

FINANCIAL INSTRUMENT

As at the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

DISCLOSURE UNDER THE [REDACTED]

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the [REDACTED] upon the [REDACTED] of the Shares on the [REDACTED].

PROFIT ESTIMATE

For the purpose of illustrating the effect of the [REDACTED] as if it had taken place on July 1, 2015, our unaudited pro forma estimated earnings per Share for the year ended June 30, 2016 has been prepared on the bases of the notes set out below. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ended June 30, 2016 or for any future period.

Estimated consolidated profit attributable to owners
of the Company for the year ended June 30, 2016⁽¹⁾ not less than HK\$11.3 million

Unaudited pro forma estimated earnings per Share
for the year ended June 30, 2016⁽²⁾ not less than HK\$0.0047

Notes:

- (1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this document. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended June 30, 2016 based on the audited consolidated results for the ten months ended April 30, 2016 and the unaudited consolidated results based on management accounts of our Group for the two months ended June 30, 2016.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended June 30, 2016 attributable to owners of the Company, assuming that a total of [REDACTED] Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II of this document for the unaudited pro forma adjusted net tangible assets.

DIVIDEND

In future, declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be

FINANCIAL INFORMATION

no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

Notwithstanding the foregoing, no dividend shall be declared or paid or shall be made otherwise than in accordance with the Companies Law. No distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

For the year ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, we declared and distributed dividends of HK\$16.1 million, HK\$24.0 million, HK\$20.0 million and HK\$12.0 million, respectively, to our then Shareholders. The HK\$12.0 million of declared and distributed dividend for the 10 months ended April 30, 2016 was fully settled in June 2016 by our working capital from operations of HK\$10.9 million and offset by the amount due from a Director of HK\$1.1 million.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

DISTRIBUTABLE RESERVES

As at April 30, 2016, our Company had no distributable reserves.

RECENT DEVELOPMENT

Despite the recent downturn in the tourism industry and retail sales market in Hong Kong as well as the weakened global macro-economy, our Group's operations and financial position are not materially affected due to our well-diverse client base in different geographical locations, our capability to promptly respond to our clients' expansion, relocation or downsizing plans. We have long term business relationship with our clients and our strong reputation in the industry enable us to capture new business opportunities from referrals by existing clients, the industry peers and through our business development efforts. As at the Latest Practicable Date, we had a total of 37 projects on hand. The majority of these projects are located in Europe and Hong Kong with a total contract sum of approximately HK\$35.9 million. In April and August 2016, we entered into two confidentiality agreements with one of our major clients for the launching of two new stores in China, where we were engaged for millwork and furniture provision. The first project has been completed in July 2016 and the second project is expected to commence in early 2017. Our Group is also currently in negotiation with (i) one of our major clients to provide millwork and furniture for its 70 stores in the U.S. in 2016 and 2017, of which 20 stores is expected to be completed by the end of 2016; (ii) Client M, a high-end Italian childrenswear brand, for launching stores in Beijing and Shenyang; (iii) a few new clients for the provision of interior solutions in Hong Kong and millwork and furniture and facade in Angola, Middle East and other Asian countries to be carried out in the second half of 2016; (iv) a listed client in Hong Kong for the provision of interior solutions; and (v) a French restaurant chain to provide millwork and furniture for its five new restaurants in Shanghai.

FINANCIAL INFORMATION

Our Directors confirm that there had been no material adverse change in our financial, operational or trading position or prospects for the two months ended June 30, 2016. Our Directors further confirm that, save for the one-off [REDACTED] described under the section headed “Financial Information — consolidated statements of comprehensive income — [REDACTED]”, there had been no material adverse change in our financial, operational or trading position or prospects since April 30, 2016, being the date of our latest audited financial results as set out in the Accountants’ Report in Appendix I to this document, up to the date of this document. Please refer to the relevant disclosure set out in note IV in the Accountants’ Report included in Appendix I to this document for events that took place subsequent to April 30, 2016.

MATERIAL ADVERSE CHANGE SUBSEQUENT TO APRIL 30, 2016

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading position since April 30, 2016, being the end of the period reported on in the accountants’ report in Appendix I to this document.

UNDERWRITING

UNDERWRITERS

[REDACTED]

[REDACTED]

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Sole Sponsor's independence

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT'S REPORT

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



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August 30, 2016

The Directors
CROSSTEC Group Holdings Limited
Kingsway Capital Limited

Dear Sirs,

We set out below our report on the financial information of CROSSTEC Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the consolidated statements of financial position of the Group as at June 30, 2013, 2014 and 2015 and April 30, 2016 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), together with the comparative financial information of the Group including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the ten months ended April 30, 2015 (the "Comparative Financial Information"), prepared on the basis of presentation set out in Note 1 of Section II below, for inclusion in the document of the Company dated [REDACTED] (the "Document") in connection with the [REDACTED] of the shares of the Company on [REDACTED] of [REDACTED] (the "[REDACTED]").

The Company was incorporated in the Cayman Islands on March 18, 2016 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation completed on March 22, 2016 (the "Reorganisation") as detailed in Note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried out any business since the date of its incorporation, except for the aforementioned reorganisation. The Group is principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services.

Other than Crosstec Trading Shenzhen Company Limited and CX (Macau) Limited, all companies comprising the Group during the Relevant Periods have adopted June 30 as their financial year end date for statutory reporting purposes. As at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities. The details of the statutory auditors of these subsidiaries are also set out below.

APPENDIX I

ACCOUNTANT’S REPORT

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Direct	Indirect			
Crosstec (BVI) Limited (“Crosstec (BVI)”)	British Virgin Islands (the “BVI”), March 21, 2016, limited liability company	100%	—	HK\$100 divided into 100 shares of HK\$1 each	Investment holding, Hong Kong	
Crosstec Group Limited (formerly known as Crossmax Group Limited) (“Crosstec Group”)	Hong Kong, May 10, 2007, limited liability company	—	100%	HK\$100,000 divided into 100,000 shares of HK\$1 each	Investment holding, Hong Kong	(a)
Crosstec International Limited (formerly known as Crossmax International Limited) (“Crosstec International”)	Hong Kong, May 17, 2007, limited liability company	—	100%	HK\$100,000 divided into 100,000 shares of HK\$1 each	Trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services, Hong Kong	(a)
Crosstec Interiors Limited (formerly known as Cross Max Interiors Limited (“Crosstec Interiors”))	Hong Kong, April 21, 1999, limited liability company	—	100%	HK\$100,000 divided into 100,000 shares of HK\$1 each	Provision of labour and management services, Hong Kong	(a)
Crosstec Trading Shenzhen Company Limited (“宏經緯貿易深圳有限公司”) (“Crosstec (Shenzhen)”)	People’s Republic of China (“PRC”) December 4, 2009, limited liability company	—	100%	HK\$1,500,000 divided into 1,500,000 shares of HK\$1 each	Trading of millworks and furniture, PRC	(b)
CX (Macau) Limited (“CX Macau”)	Macau December 17, 2013, limited liability company	—	100%	Macao Patacas (“MOP”)25,000, divided into one share of MOP25,000 each	Trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services, Macau	

(a) The statutory financial statements for the years ended June 30, 2013 and 2014 were audited by Chung & Yeung Certified Public Accountants. BDO Limited is an auditor of the companies for the financial year ended June 30, 2015.

(b) The statutory financial statements for the years ended December 31, 2012, 2013, 2014 and 2015 were audited by 深圳永信瑞和會計師事務所.

APPENDIX I

ACCOUNTANT’S REPORT

No audited financial statements have been prepared for the Company since its date of incorporation as it has not carried out any business, other than the Reorganisation as referred to above and there is no statutory requirement for it to prepare audited financial statements. No audited financial statements have been prepared for Crosstec (BVI) and CX Macau since their date of incorporation as there is no statutory requirement for them to prepare audited financial statements.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of presentation set out in Note 1(c) of Section II below and the accounting policies set out in Note 2 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

DIRECTORS’ RESPONSIBILITY

The directors are responsible for the contents of the Document including the preparation and true and fair presentation of Financial Information in accordance with the basis of presentation set out in Note 1(c) of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the [REDACTED], and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

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

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 “[REDACTED]” issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation set out in Note 1(c) of Section II below and in accordance with the accounting policies in Note 2 of Section II below, gives a true and fair view of the financial position of the Company as at April 30, 2016 and the financial position of the Group as at June 30, 2013, 2014 and 2015 and April 30, 2016 and the financial performance and cash flows of the Group for each of the Relevant Periods then ended.

APPENDIX I

ACCOUNTANT’S REPORT

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the Comparative Financial Information, which has been prepared in accordance with the accounting policies set out in Note 2 of Section II below, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors are responsible for the preparation and presentation of the Comparative Financial Information in accordance with the basis of presentation set out in Note 1(c) of Section II below and the accounting policies set out in Note 2 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the [REDACTED]. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review.

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

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

APPENDIX I

ACCOUNTANT'S REPORT

I. FINANCIAL INFORMATION

1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended June 30			Ten months ended April 30	
		2013	2014	2015	2015	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)	
Revenue	5	123,767	113,798	130,578	114,087	100,837
Direct cost		<u>(90,400)</u>	<u>(76,751)</u>	<u>(86,376)</u>	<u>(74,796)</u>	<u>(65,175)</u>
Gross profit		33,367	37,047	44,202	39,291	35,662
Other income	5	3	3	4	2	3
Other gains	5	—	306	44	44	—
Administrative expenses		(12,523)	(13,006)	(15,615)	(13,356)	(15,708)
[REDACTED]		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,549)</u>
Operating profit	6	20,847	24,350	28,635	25,981	9,408
Finance costs	8	<u>(7)</u>	<u>(5)</u>	<u>(3)</u>	<u>(3)</u>	<u>—</u>
Profit before income tax expense		20,840	24,345	28,632	25,978	9,408
Income tax expense	10	<u>(3,522)</u>	<u>(4,164)</u>	<u>(4,849)</u>	<u>(4,425)</u>	<u>(3,183)</u>
Profit for the year/period and attributable to owners of the Company		17,318	20,181	23,783	21,553	6,225
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
Other comprehensive income for the year/period and attributable to owners of the Company, net of tax		<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
Total comprehensive income for the year/period and attributable to owners of the Company		<u>17,357</u>	<u>20,181</u>	<u>23,783</u>	<u>21,553</u>	<u>6,166</u>

APPENDIX I

ACCOUNTANT'S REPORT

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at June 30			As at
		2013	2014	2015	April 30
	Notes	HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
Non-current assets					
Property, plant and equipment	13	538	1,068	561	1,155
		<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,155</u>
Current assets					
Amounts due from customers for contract work	14	1,493	542	—	—
Trade and other receivables	15	27,093	29,598	18,454	28,427
Amount due from a director	16	6,339	750	—	—
Amounts due from related companies	16	880	882	25	—
Cash and cash equivalents	17	34,843	23,027	30,046	24,843
		<u>70,648</u>	<u>54,799</u>	<u>48,525</u>	<u>53,270</u>
Total assets		<u>71,186</u>	<u>55,867</u>	<u>49,086</u>	<u>54,425</u>
Current liabilities					
Amounts due to customers for contract work	14	2,960	289	—	—
Trade and other payables	18	54,698	42,146	29,344	36,807
Amount due to a director	16	—	—	3,699	10,655
Amount due to a related company	16	169	—	—	—
Obligation under finance leases	19	31	33	—	—
Current tax liabilities		3,754	7,600	6,535	3,310
		<u>61,612</u>	<u>50,068</u>	<u>39,578</u>	<u>50,772</u>
Net current assets		<u>9,036</u>	<u>4,731</u>	<u>8,947</u>	<u>2,498</u>
Total assets less current liabilities		<u>9,574</u>	<u>5,799</u>	<u>9,508</u>	<u>3,653</u>
Non-current liabilities					
Obligation under finance leases	19	92	59	—	—
Deferred tax liabilities	20	12	64	49	28
		<u>104</u>	<u>123</u>	<u>49</u>	<u>28</u>
Total liabilities		<u>61,716</u>	<u>50,191</u>	<u>39,627</u>	<u>50,800</u>
NET ASSETS		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>3,625</u>
Capital and Reserves					
Share capital	21	100	125	125	—
Reserves	22	9,370	5,551	9,334	3,625
TOTAL EQUITY		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>3,625</u>

APPENDIX I

ACCOUNTANT'S REPORT

3. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As April 30 2016 HK\$'000
Non-current assets		
Investment in a subsidiary		_____(1)(2)
Current liabilities		
Amounts due to shareholders		_____(1)
NET CURRENT AND NET ASSETS		<u>_____(1)</u>
Equity		
Share capital	21	_____(1)
TOTAL EQUITY		<u>_____(1)</u>

(1) Represent amount of less than HK\$1,000.

(2) As at April 30, 2016, other than share capital of HK\$1, investment in a subsidiary of HK\$100 and amounts due to shareholders of HK\$99, the Company had no other assets and liabilities.

(3) Investment in a subsidiary represents unlisted investment, measured at cost.

APPENDIX I

ACCOUNTANT'S REPORT

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Merger Reserve (Note 22(i)) HK\$'000	Exchange reserve (Note 22(ii)) HK\$'000	Retained Profits (Note 22(iii)) HK\$'000	
As at July 1, 2012	100	5,229	(52)	2,936	8,213
Profit for the year	—	—	—	17,318	17,318
Other comprehensive income for the year					
Exchange differences on translating foreign operations	—	—	39	—	39
Total comprehensive income for the year	—	—	39	17,318	17,357
Dividend paid (Note 11)	—	—	—	(16,100)	(16,100)
As at June 30, 2013	100	5,229	(13)	4,154	9,470
Profit for the year	—	—	—	20,181	20,181
Total comprehensive income for the year	—	—	—	20,181	20,181
Issue of new shares on incorporation of a new group company	25	—	—	—	25
Dividend paid (Note 11)	—	—	—	(24,000)	(24,000)
As at June 30, 2014	<u>125</u>	<u>5,229</u>	<u>(13)</u>	<u>335</u>	<u>5,676</u>

APPENDIX I

ACCOUNTANT'S REPORT

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Merger Reserve (Note 22(i)) HK\$'000	Exchange reserve (Note 22(ii)) HK\$'000	Retained Profits (Note 22(iii)) HK\$'000	
As at July 1, 2014	125	5,229	(13)	335	5,676
Profit for the year	—	—	—	23,783	23,783
Total comprehensive income for the year	—	—	—	23,783	23,783
Dividend paid (Note 11)	—	—	—	(20,000)	(20,000)
As at June 30, 2015	125	5,229	(13)	4,118	9,459
Profit for the period	—	—	—	6,225	6,225
Other comprehensive income for the period					
Exchange differences on translating foreign operations	—	—	(59)	—	(59)
Total comprehensive income for the period	—	—	(59)	6,225	6,166
Arising from group reorganisation (Note 1(b))	(125)	125	—	—	—
Dividend paid (Note 11)	—	—	—	(12,000)	(12,000)
As at April 30, 2016	<u>—⁽¹⁾</u>	<u>5,354</u>	<u>(72)</u>	<u>(1,657)</u>	<u>3,625</u>
As at July 1, 2014	125	5,229	(13)	335	5,676
Profit for the period	—	—	—	21,553	21,553
Total comprehensive income for the period	—	—	—	21,553	21,553
As at April 30, 2015	<u>125</u>	<u>5,229</u>	<u>(13)</u>	<u>21,888</u>	<u>27,229</u>

(1) Represent amount of less than HK\$1,000.

APPENDIX I

ACCOUNTANT’S REPORT

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax expense	20,840	24,345	28,632	25,978	9,408
Adjustments for:					
Depreciation of property, plant and equipment	234	536	531	451	431
Finance costs	7	5	3	3	—
Interest income	(2)	(3)	(4)	(2)	(3)
Gain on disposal of property, plant and equipment	—	—	(44)	(44)	—
Unrealised exchange (gain)/loss, net	18	(227)	832	811	700
Impairment on trade receivables	67	2	965	644	—
Operating profit before working capital changes	21,164	24,658	30,915	27,841	10,536
Decrease/(increase) in trade and other receivables	11	(2,507)	10,179	4,816	(9,993)
(Decrease)/increase in trade and other payables	12,024	(12,552)	(12,802)	(10,635)	7,463
Decrease/(increase) in amounts due from customers for contract work	(1,437)	951	542	542	—
(Decrease)/increase in amounts due to customers for contract work	<u>2,960</u>	<u>(2,671)</u>	<u>(289)</u>	<u>(289)</u>	<u>—</u>
Cash generated from operations	34,722	7,879	28,545	22,275	8,006
Income tax paid	<u>(711)</u>	<u>(266)</u>	<u>(5,929)</u>	<u>(5,929)</u>	<u>(6,429)</u>
Net cash from operating activities	<u>34,011</u>	<u>7,613</u>	<u>22,616</u>	<u>16,346</u>	<u>1,577</u>
Cash flows from investing activities					
Purchases of property, plant and equipment	(521)	(1,066)	(48)	(36)	(1,025)
Proceeds from disposal of property, plant and equipment	—	—	68	68	—
Interest received	2	3	4	2	3
Proceeds from disposal of associates	24	—	—	—	—
Advance to director	(8,925)	(18,411)	(15,551)	(4,294)	(5,044)
(Advance to)/repayment from related companies	<u>(582)</u>	<u>(171)</u>	<u>857</u>	<u>(2)</u>	<u>25</u>
Net cash used in investing activities	<u>(10,023)</u>	<u>(19,645)</u>	<u>(14,670)</u>	<u>(4,262)</u>	<u>(6,041)</u>

APPENDIX I

ACCOUNTANT'S REPORT

6. CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Cash flows from financing activities					
Proceed of issue of new shares on incorporation of a new group company	—	25	—	—	—
Repayment of finance lease payables	(29)	(31)	(92)	(92)	—
Interest paid	(7)	(5)	(3)	(3)	—
Net cash used in financing activities	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(95)</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	23,952	(12,043)	7,851	11,989	(4,464)
Effect of exchange rate changes on cash and cash equivalents	(15)	227	(832)	(811)	(739)
Cash and cash equivalents at beginning of year/period	<u>10,906</u>	<u>34,843</u>	<u>23,027</u>	<u>23,027</u>	<u>30,046</u>
Cash and cash equivalents at end of year/period	<u>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>34,205</u>	<u>24,843</u>

APPENDIX I

ACCOUNTANT’S REPORT

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on March 18, 2016, as an exempted company with limited liability under the Companies Law (2004 revision) Chapter 22 of the Cayman Islands. The registered office of the Company is located at the offices of Clifton House, 75 Fort Street, P.O. Box 1350 Cayman Island KY1-1108, Cayman Islands. The principal place of business is Room 1505, 625 King’s Road, North Point, Hong Kong. The Company is an investment holding company and its subsidiaries (together referred to as the “Group”) are principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services (the “[REDACTED] Business”).

In the opinion of the directors of the Company, the [REDACTED] Business was collectively controlled by Mr. Lee Wai Sang (“Mr. Sandi Lee”) and Ms. Leung Mo Shan Jackie (“Ms. Jackie Leung”) (together referred to as the “Controlling Shareholders”). Ms. Jackie Leung is the spouse of Mr. Sandi Lee.

In the opinion of the directors of the Company, the Company’s immediate and ultimate holding company is CGH (BVI) Limited, a company incorporated in British Virgin Islands.

(b) Reorganisation

Pursuant to the Reorganisation as detailed in the section headed “History and Reorganisation — Reorganisation” to the Document, in preparation for the [REDACTED] of shares of the Company on the [REDACTED] of the [REDACTED] and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on March 22, 2016.

(c) Basis of presentation

The Reorganisation involved the combination of a number of entities engaged in the [REDACTED] Business that were collectively controlled by the Controlling Shareholders. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the Controlling Shareholders that existed prior to the combination. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting, as if the group structure under the Reorganisation had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment of the entities now comprising the Group, whichever is the shorter period.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016 have been prepared using the financial information of the companies engaged in the [REDACTED] Business under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders. The consolidated statements of financial position of the Group as at June 30, 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

The Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated. Each entity in the Group maintains its books and records in its own functional currency.

APPENDIX I

ACCOUNTANT’S REPORT

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information set out in this report has been prepared in accordance with the below accounting policies, which conform with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the [REDACTED] of Securities on the [REDACTED] (the “[REDACTED]”).

The Financial Information has been prepared under the historical cost basis.

Application of new and revised HKFRSs

For the purpose of preparing the Financial Information, the Group has adopted all of new and revised HKFRSs consistently throughout the Relevant Periods except for the following new or revised HKFRSs that have been issued, potentially relevant to the Group’s operations, but are not yet effective:

HKFRSs (Amendments)	Annual Improvements 2012 — 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 7	Disclosure Initiative ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 16	Lease ⁴

¹ Effective for annual periods beginning on or after January 1, 2016

² Effective for annual periods beginning on or after January 1, 2017

³ Effective for annual periods beginning on or after January 1, 2018

⁴ Effective for annual periods beginning on or after January 1, 2019

Except as described below, the Directors anticipate that the application of the other new and revised HKFRSs will not have a material impact on the results and the financial position of the Group.

HKFRS 15 — Revenue from Contracts with Customers

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

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

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

APPENDIX I

ACCOUNTANT’S REPORT

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group’s financial information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group undertakes a detailed review.

HKFRS 9 (2014) — Financial Instruments

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

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

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

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 16 Lease

HKFRS 16 was issued on January 13, 2016 and is effective for annual periods beginning on or after January 1, 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in these consolidated financial statements in note 19.

As set out in note 19, total operating lease commitment of the Group in respect of office premises and office equipment as at 30 April 2016 amounted to approximately HK\$4,441,000, the directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result.

Significant accounting policies

2.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

APPENDIX I

ACCOUNTANT'S REPORT

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Other than business combination under common control for which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

2.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee; (2) exposure, or rights, to variable returns from the investee; and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.3 Property, plant and equipment

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

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

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

APPENDIX I

ACCOUNTANT'S REPORT

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

Furniture and fixtures	25%
Office equipment	20%
Motor vehicles	30%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

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

2.4 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary assets. Loans and receivables are initially

APPENDIX I

ACCOUNTANT’S REPORT

recognised at fair value plus directly attributable transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include:

- significant financial difficulty of the debtor or the group of debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined to be uncollectible, it is written off against the allowance account for the relevant financial asset.

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

(iii) Financial liabilities

Financial liabilities include trade and other payables, amounts due to directors and related parties, and obligation under finance lease. They are initially recognised at fair value, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

APPENDIX I

ACCOUNTANT’S REPORT

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.6 Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

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

2.7 Employee benefits

(i) Defined contribution retirement plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are recognised as an expense in profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

APPENDIX I

ACCOUNTANT'S REPORT

(ii) Short-term employee benefits

Short-term employee benefits are recognised when they accrue to employees. In particular, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Termination benefits

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

2.8 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise site labour costs (including site supervision); costs of subcontracting; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Relevant Periods.

The outcome of a construction contract can be estimated reliably when: (i) the total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

2.9 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

APPENDIX I

ACCOUNTANT'S REPORT

2.10 Revenue recognition

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

- (i) Income from interior solutions projects is recognised based on the stage of completion of the contracts, provide that the stage of contract completion and the contract costs of the contracting work can be measured reliably. The stage of completion of a contract is established by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (Note 2.8).
- (ii) Design and project consultancy service income is recognised upon services rendered;
- (iii) Sale of goods is recognised when the goods are delivered and the risks and rewards of ownership have passed to the customer; and
- (iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

2.11 Income taxes

Income taxes for the year comprise current tax and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

2.12 Provisions and contingent liabilities

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

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

2.13 Impairment of non-financial assets

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of assets (other than inventories and financial assets) to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

APPENDIX I

ACCOUNTANT'S REPORT

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.14 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.15 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

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

APPENDIX I

ACCOUNTANT'S REPORT

- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

2.16 Customer incentive programmes

The Group operates a incentive programme since September 2015 where a customer accumulated points for purchases made at specific levels within designated periods which entitle them to collect the discount vouchers for their future purchases. The reward points are recognised as a separately identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are converted to the discount vouchers and the discount vouchers are redeemed. Reward points accumulated within designated periods expire 24 months after the points converted to discount voucher.

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the Relevant Periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of trade and other receivables

The Group estimates impairment losses of trade and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 2.5(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(iii) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable profit against which the deferred tax assets can be utilised, which involves a number of assumptions and estimates relating to the operating environment of the Group and requires a significant level of judgement exercised by management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the profit in future periods.

APPENDIX I

ACCOUNTANT’S REPORT

4. SEGMENT INFORMATION

Operating segments

During the Relevant Periods, the Group was principally engaged in the trading of millwork, furniture and facade fabrication and provision of interior design, project consultancy and interior solutions services. Information reported to the Group’s chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following table sets out the information about the geographical location of the Group’s revenue from external customers and non-current assets other than financial instruments (“Specified non-current assets”).

The Group comprises the following main geographical segments:

	Revenue from external customers				
	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong (place of domicile)	81,917	52,040	66,753	61,965	17,993
Asia (excluding Hong Kong and PRC)	19,804	17,577	24,747	22,649	25,925
PRC	6,517	5,946	4,933	3,118	6,004
Europe	10,709	23,834	31,137	23,347	44,666
The Americas	4,301	10,238	3,008	3,008	6,249
Middle East	519	4,163	—	—	—
	<u>41,850</u>	<u>61,758</u>	<u>63,825</u>	<u>52,122</u>	<u>82,844</u>
	<u>123,767</u>	<u>113,798</u>	<u>130,578</u>	<u>114,087</u>	<u>100,837</u>
	Specified non-current assets				
	As at June 30			As at April 30	
	2013	2014	2015	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Hong Kong (place of domicile)	530	1,062	557	557	1,153
PRC	8	6	4	4	2
	<u>538</u>	<u>1,068</u>	<u>561</u>	<u>561</u>	<u>1,155</u>

APPENDIX I

ACCOUNTANT'S REPORT

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Client A	25,115	*	*	*	*
Client B	*	*	17,790	17,640	*
Client C	*	*	*	11,632	*
Client D	*	*	*	11,683	*
Client E	*	*	*	*	20,062
	<u>25,115</u>	<u>—</u>	<u>17,790</u>	<u>40,955</u>	<u>20,062</u>

* Less than 10% of the Group's revenue

5. REVENUE, OTHER INCOME AND OTHER GAINS

Revenue includes the net invoiced value of goods sold, design and project consultancy service rendered and contract revenue earned from the interior solutions projects by the Group. The amounts of each significant category of revenue recognised during the Relevant Periods are as follows:

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue					
Sales of products					
— Millwork and furniture	38,434	64,726	57,904	48,489	66,897
— Facade fabrication	16,153	8,346	6,823	6,244	18,733
Income from interior solutions projects	69,145	40,721	64,752	58,255	14,817
Design and project consultancy service income	<u>35</u>	<u>5</u>	<u>1,099</u>	<u>1,099</u>	<u>390</u>
	<u>123,767</u>	<u>113,798</u>	<u>130,578</u>	<u>114,087</u>	<u>100,837</u>

An analysis of the Group's other income and other gains recognised during the Relevant Periods are as follows:

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Other income					
Bank interest income	2	3	4	2	3
Sundry income	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>3</u>	<u>3</u>	<u>4</u>	<u>2</u>	<u>3</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Other gains					
Gain on disposal of property, plant and equipment	—	—	44	44	—
Exchange gain, net	—	306	—	—	—
	—	306	44	44	—

6. OPERATING PROFIT

The Group’s operating profit is arrived at after charging:

	Year ended June 30			Ten months ended April 30	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Auditors’ remuneration	117	125	300	200	230
Depreciation	234	536	531	451	431
Operating lease rentals in respect of:					
— Land and buildings	500	729	862	790	1,024
— Plant and equipment	—	—	14	3	49
Impairment on trade receivables	67	2	965	644	—
Exchange (gain)/loss, net	126	(306)	575	707	504
Employee benefit expenses (<i>Note 7</i>)	6,517	7,663	8,934	7,794	10,942

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS’ REMUNERATION

	The Group			Ten months ended April 30	
	Year ended June 30			2015	
	2013	2014	2015	2015	2016
				(Unaudited)	
Wages and salaries	6,080	6,629	7,279	6,470	9,765
Post-employment benefits — contribution to defined contribution retirement plan	335	305	350	223	260
Other benefits	102	729	1,305	1,101	917
	6,517	7,663	8,934	7,794	10,942

8. FINANCE COSTS

	The Group			Ten months ended April 30	
	Year ended June 30			2015	
	2013	2014	2015	2015	2016
				(Unaudited)	
Interests on finance leases	7	5	3	3	—

APPENDIX I

ACCOUNTANT'S REPORT

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Details of the directors' remuneration paid or payable for each of the Relevant Periods by the entities comprising the Group to those employees and/or directors of subsidiaries who were appointed as directors of the Company on March 18, 2016 are as follows:

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Contribution to defined contribution retirement plan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended June 30, 2015				
Executive directors:				
Mr. Sandi Lee	—	1,800	18	1,818
Mr. Leung Pak Yin	—	1,043	18	1,061
Mr. Lai Hon Lam Carmen	—	504	18	522
	<u>—</u>	<u>3,347</u>	<u>54</u>	<u>3,401</u>
Year ended June 30, 2014				
Executive directors:				
Mr. Sandi Lee	—	900	15	915
Mr. Leung Pak Yin	—	974	15	989
Mr. Lai Hon Lam Carmen	—	427	15	442
	<u>—</u>	<u>2,301</u>	<u>45</u>	<u>2,346</u>
Year ended June 30, 2013				
Executive directors:				
Mr. Sandi Lee	—	600	15	615
Mr. Leung Pak Yin	—	870	15	885
Mr. Lai Hon Lam Carmen	—	399	15	414
	<u>—</u>	<u>1,869</u>	<u>45</u>	<u>1,914</u>
Ten months ended April 30, 2016				
Executive directors:				
Mr. Sandi Lee	—	2,500	15	2,515
Mr. Leung Pak Yin	—	1,050	15	1,065
Mr. Lai Hon Lam Carmen	—	466	15	481
Mr. Lau King Lok*	—	400	6	406
	<u>—</u>	<u>4,416</u>	<u>51</u>	<u>4,467</u>
Ten months ended April 30, 2015				
Executive directors:				
Mr. Sandi Lee	—	1,500	15	1,515
Mr. Leung Pak Yin	—	938	15	953
Mr. Lai Hon Lam Carmen	—	436	15	451
	<u>—</u>	<u>2,874</u>	<u>45</u>	<u>2,919</u>

* Mr. Lau King Lok who joined the Group on January 1, 2016 was appointed as director of the Company as at March 18, 2016.

APPENDIX I

ACCOUNTANT'S REPORT

Subsequent to the end of the Relevant Periods, Mr. So Chi Hang, Mr. Lau Lap Yan John and Mr. Heng Ching Kuen Franklin were appointed as the independent non-executive directors of the Company on August 22, 2016. There were no fees or other emoluments payable to independent non-executive directors during the Relevant Periods.

During the Relevant Periods, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 3 directors for each of the year June 30, 2013, 2014 and 2015 and ten months ended April 30, 2015, and 4 directors for the ten months ended April 30, 2016, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	Year ended June 30			Ten months ended April 30	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
Basic salaries, bonuses and other allowances	977	1,173	1,283	1,128	740
Post-employment benefits — Contribution to defined contribution retirement plan	26	29	34	28	15
	<u>1,003</u>	<u>1,202</u>	<u>1,317</u>	<u>1,156</u>	<u>755</u>

Their remuneration fell within the following bands:

	No. of employees			Ten months ended April 30	
	Year ended June 30			2015	
	2013	2014	2015	2015	2016
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>

During the Relevant Periods, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments 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.

(iii) Senior management's emoluments excluding the directors

The emoluments paid or payable to members of senior management (excluding the directors) were within the following bands:

	No. of employees			Ten months ended April 30	
	Year ended June 30			2015	
	2013	2014	2015	2015	2016
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>

One member of senior management whose emoluments are included in five highest paid individuals as set out in Note 9(ii).

APPENDIX I

ACCOUNTANT’S REPORT

10. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of comprehensive income represents:

	Year ended June 30			Ten months ended	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current tax — Hong Kong profits tax					
— tax for the year	<u>3,508</u>	<u>4,110</u>	<u>4,860</u>	<u>4,423</u>	<u>2,984</u>
	<u>3,508</u>	<u>4,110</u>	<u>4,860</u>	<u>4,423</u>	<u>2,984</u>
Current tax — overseas profits tax					
— tax for the year	<u>2</u>	<u>2</u>	<u>4</u>	<u>2</u>	<u>220</u>
	<u>2</u>	<u>2</u>	<u>4</u>	<u>2</u>	<u>220</u>
Deferred tax (credit)/expense (<i>Note 20</i>)	<u>12</u>	<u>52</u>	<u>(15)</u>	<u>—</u>	<u>(21)</u>
Income tax expense	<u>3,522</u>	<u>4,164</u>	<u>4,849</u>	<u>4,425</u>	<u>3,183</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profits of the PRC subsidiary during the Relevant Periods.

Taxation on Macau subsidiary is calculated at the rate prevailing in the Macau jurisdiction. No provision for Macau profits tax had been made as the Group had no assessable income for the years ended June 30, 2013, 2014 and 2015. For the ten months ended April 30, 2016, the Macau subsidiary is subject to profit tax at 12%.

APPENDIX I

ACCOUNTANT'S REPORT

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	Year ended June 30			Ten months ended April 30	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Profit before income tax expense	<u>20,840</u>	<u>24,345</u>	<u>28,632</u>	<u>25,978</u>	<u>9,408</u>
Tax calculated at the applicable statutory tax rate of 16.5%	3,439	4,017	4,724	4,287	1,552
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(1)	(4)	223	10	(48)
Tax effect of income not subject to tax	(129)	(140)	(186)	(19)	(141)
Tax effect of expense not deductible for tax purpose	145	189	111	157	1,733
Tax effect of tax losses not recognised	2	6	—	—	85
Utilisation of tax losses previously not recognised	—	—	(8)	(8)	—
Others	<u>66</u>	<u>96</u>	<u>(15)</u>	<u>(2)</u>	<u>2</u>
Income tax expense at the effective tax rate	<u>3,522</u>	<u>4,164</u>	<u>4,849</u>	<u>4,425</u>	<u>3,183</u>

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report due to the Reorganisation and the preparation of the results for the Relevant Periods on a consolidated basis as described in Note 1 above.

For the year ended June 30, 2013, an interim dividend of HK\$161 per ordinary share, or in aggregation of HK\$16,100,000 represented interim dividends declared and paid by a group entity, Crosstec Group, to its then shareholders.

For the year ended June 30, 2014, an interim dividend of HK\$240 per ordinary share, or in aggregation of HK\$24,000,000 represented interim dividends declared and paid by a group entity, Crosstec Group, to its then shareholders.

For the year ended June 30, 2015, an interim dividend of HK\$200 per ordinary share, or in aggregation of HK\$20,000,000 represented interim dividends declared and paid by a group entity, Crosstec Group, to its then shareholders.

For the ten months ended April 30, 2016, an interim dividend of HK\$110 per ordinary share, or in aggregation of HK\$11,000,000 represented interim dividends declared and payable by a group entity, Crosstec Group, to its then shareholders before the Reorganisation.

For the ten months ended April 30, 2016, an interim dividend of approximately HK\$40 per ordinary share, or in aggregation of approximately HK\$1,000,000 represented interim dividends declared and paid by a group entity, CX Macau, to its then shareholders before the Reorganisation.

12. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on basis as described in Note 1 above.

APPENDIX I

ACCOUNTANT'S REPORT

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At July 1, 2012	272	581	—	853
Additions	—	62	459	521
Disposals	—	—	—	—
At June 30, 2013	272	643	459	1,374
Additions	—	47	1,019	1,066
Disposals	—	—	—	—
At June 30, 2014	272	690	1,478	2,440
Additions	—	48	—	48
Disposals	—	(259)	—	(259)
At June 30, 2015	272	479	1,478	2,229
Additions	663	362	—	1,025
At April 30, 2016	935	841	1,478	3,254
Accumulated depreciation				
At July 1, 2012	272	330	—	602
Provided for the year	—	96	138	234
Eliminated on disposals	—	—	—	—
At June 30, 2013	272	426	138	836
Provided for the year	—	93	443	536
Eliminated on disposals	—	—	—	—
At June 30, 2014	272	519	581	1,372
Provided for the year	—	88	443	531
Eliminated on disposals	—	(235)	—	(235)
At June 30, 2015	272	372	1,024	1,668
Provided for the period	48	82	301	431
At April 30, 2016	320	454	1,325	2,099
Net book value				
At April 30, 2016	615	387	153	1,155
At June 30, 2015	—	107	454	561
At June 30, 2014	—	171	897	1,068
At June 30, 2013	—	217	321	538

The net book value of office equipment includes an amount of HK\$95,000, HK\$64,000, HK\$Nil and HK\$Nil for the years ended June 30, 2013, 2014 and 2015 and ten months ended April 30, 2016 in respect of assets held under finance lease (Note 19).

APPENDIX I

ACCOUNTANT'S REPORT

14. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at June 30		As at April 30	
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of reporting periods:				
Contract costs incurred	16,491	11,886	—	773
Recognised profits less recognised losses	<u>5,195</u>	<u>2,573</u>	<u>—</u>	<u>348</u>
	21,686	14,459	—	1,121
Less: progress billings	<u>(23,153)</u>	<u>(14,206)</u>	<u>—</u>	<u>(1,121)</u>
	<u>(1,467)</u>	<u>253</u>	<u>—</u>	<u>—</u>
Represented by:				
Amounts due from customers for contract work	1,493	542	—	—
Amounts due to customers for contract work	<u>(2,960)</u>	<u>(289)</u>	<u>—</u>	<u>—</u>
	<u>(1,467)</u>	<u>253</u>	<u>—</u>	<u>—</u>

As at June 30, 2013, 2014 and 2015 and April 30, 2016, retentions held by customers for contract work included in trade and other receivables (Note 15) amounted to HK\$446,000, HK\$Nil, HK\$1,640,000 and HK\$617,000 respectively.

As at June 30, 2013, 2014 and 2015 and April 30, 2016, advances received from customers for contract work included in trade and other payables (Note 18) amounted to HK\$4,639,000, HK\$849,000, HK\$2,949,000 and HK\$21,000, respectively.

15. TRADE AND OTHER RECEIVABLES

	As at June 30		As at April 30	
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (note (a))	11,073	14,331	9,956	19,150
Retention receivables (note (b) and Note 14)	446	—	1,640	617
Other receivables (note (c))	1,079	3,461	399	924
Prepayments (note (c))	<u>14,495</u>	<u>11,806</u>	<u>6,459</u>	<u>7,736</u>
	<u>27,093</u>	<u>29,598</u>	<u>18,454</u>	<u>28,427</u>

(a)

	As at June 30		As at April 30	
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	11,073	14,331	9,956	19,150
Less: provision for impairment on trade receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>11,073</u>	<u>14,331</u>	<u>9,956</u>	<u>19,150</u>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

APPENDIX I

ACCOUNTANT'S REPORT

Except for one customer with 60 days credit period granted, no credit period is granted by the Group to its other trade customers. Application for progress payments of projects is made on a regular basis.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
Less than 1 month	5,712	3,745	4,646	5,143
1 to 3 months	693	5,222	4,468	7,272
3 months to 6 months	321	915	388	6,223
More than 6 months but less than one year	2,330	2,490	—	512
More than one year	2,017	1,959	454	—
	<u>11,073</u>	<u>14,331</u>	<u>9,956</u>	<u>19,150</u>

Movements in provision for impairment of trade receivables are as follows:

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
At beginning of the year/period	300	—	—	—
Impairment losses recognised	67	2	965	—
Bad debts written off	(367)	(2)	(965)	—
At the end of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At the end of each of the Relevant Periods, the Group reviews receivables for evidence of impairment on both an individual and collective basis. The above impairment of trade receivables of approximately HK\$67,000, HK\$2,000, HK\$965,000 and HK\$Nil was made for individually impaired trade receivables with an aggregate carrying amount of approximately HK\$67,000, HK\$2,000, HK\$965,000 and HK\$Nil as at June 30, 2013, 2014 and 2015 and April 30, 2016 respectively. These individually impaired trade receivables include customers who ceased business relationship with the Group and cannot be contacted by the Group.

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
Neither past due nor impaired	—	—	—	464
Less than 1 month past due	5,712	3,745	4,646	4,679
1 to 3 months past due	693	5,222	4,468	9,341
More than 3 months past due but less than 12 months past due	2,651	3,405	388	4,666
More than one year past due	2,017	1,959	454	—
	<u>11,073</u>	<u>14,331</u>	<u>9,956</u>	<u>19,150</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

APPENDIX I

ACCOUNTANT’S REPORT

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the credit risk is minimal.

- (b) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

These related to customers for whom there was no recent history of default.

- (c) The above balances of other receivables, prepayments and deposits as at June 30, 2013, 2014 and 2015 and April 30, 2016 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

16. AMOUNTS DUE FROM/(TO) DIRECTOR AND RELATED COMPANIES

Particulars of the amounts due from a director and related companies, disclosed are as follows:

	Balance at July 1, 2015 <i>HK\$'000</i>	Maximum amount outstanding during the period <i>HK\$'000</i>	Balance at April 30, 2016 <i>HK\$'000</i>
Related company			
Amersham 1126 Limited	<u>25</u>	<u>25</u>	<u>—</u>
	Balance at July 1, 2014 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>	Balance at June 30, 2015 <i>HK\$'000</i>
Director			
Mr. Sandi Lee	<u>750</u>	<u>20,740</u>	<u>—</u>
Related companies			
Amersham 1126 Limited	—	25	25
Wealthmood Limited	<u>882</u>	<u>882</u>	<u>—</u>
	<u>882</u>	<u>907</u>	<u>25</u>
	Balance at July 1, 2013 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>	Balance at June 30, 2014 <i>HK\$'000</i>
Director			
Mr. Sandi Lee	<u>6,339</u>	<u>23,729</u>	<u>750</u>
Related company			
Wealthmood Limited	<u>880</u>	<u>882</u>	<u>882</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Balance at July 1, 2012 <i>HK\$’000</i>	Maximum amount outstanding during the year <i>HK\$’000</i>	Balance at June 30, 2013 <i>HK\$’000</i>
Director			
Mr. Sandi Lee	<u>13,558</u>	<u>30,643</u>	<u>6,339</u>
Related company			
Wealthmood Limited	<u>240</u>	<u>880</u>	<u>880</u>

An analysis of the amount due to a director and a related company is as follows:

	As at June 30		As at April 30	
	2013	2014	2015	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Director				
Mr. Sandi Lee	<u>—</u>	<u>—</u>	<u>3,699</u>	<u>10,655</u>
Related company				
Crossmax Design (Macau) Limitada	<u>169</u>	<u>—</u>	<u>—</u>	<u>—</u>

All the above related companies are beneficially owned by Mr. Sandi Lee.

The amounts due from/(to) a director and related companies are unsecured, interest-free and have no fixed terms of repayment.

The Group has not made any provision for doubtful debts in respect of the amounts due from a director and related companies, for which there was no recent history of default.

None of the amounts due from a director and related companies is either past due or impaired.

17. CASH AND CASH EQUIVALENTS

Cash and bank balances comprise cash at banks and cash on hand held by the Group. Bank balances earn interests at floating rates based on daily bank deposit rates and are deposited with creditworthy banks with no recent history of default.

APPENDIX I

ACCOUNTANT’S REPORT

18. TRADE AND OTHER PAYABLES

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
Trade payables (<i>note (a)</i>)	20,089	16,808	13,445	16,948
Receipts in advance (<i>note (b)</i>)	29,862	20,674	11,403	8,311
Other payables and accruals (<i>note (c)</i>)	4,747	4,664	4,496	11,238
Deferred revenue arising from customer incentive programme (<i>note (d)</i>)	—	—	—	310
	<u>54,698</u>	<u>42,146</u>	<u>29,344</u>	<u>36,807</u>

(a) An ageing analysis of trade payables as at the end of each of the Relevant Periods, based on the invoice dates, is as follows:

	As at June 30			As at
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current or less than 1 month	4,915	4,640	2,663	4,209
1 to 3 months	7,589	3,183	4,717	2,310
4 to 6 months	2,842	3,127	1,709	6,994
7 to 12 months	2,359	2,955	4,196	2,705
More than 1 year	<u>2,384</u>	<u>2,903</u>	<u>160</u>	<u>730</u>
	<u>20,089</u>	<u>16,808</u>	<u>13,445</u>	<u>16,948</u>

The Group’s trade payables are non-interest bearing and generally have payment terms of 0 to 90 days.

- (b) Receipts in advance represented advance payment from the customers in connection with the contract works and sales. Receipts in advance are expected to be recognised as revenue of the Group within one year from the reporting date.
- (c) Other payables are non-interest bearing and have average payment terms of one to three months.
- (d) The deferred revenue arise in respect of the Group’s incentive programme recognised in accordance with HK(IFRIC)-Int 13 Customer Loyalty Programmes.

APPENDIX I

ACCOUNTANT'S REPORT

19. LEASES

Finance leases

The Group leased a number of its office equipment for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
As at April 30, 2016			
Not later than one year	—	—	—
Later than one year and not later than two years	—	—	—
Later than two years and not later than five years	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
As at June 30, 2015			
Not later than one year	—	—	—
Later than one year and not later than two years	—	—	—
Later than two years and not later than five years	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
As at June 30, 2014			
Not later than one year	36	3	33
Later than one year and not later than two years	36	3	33
Later than two years and not later than five years	27	1	26
	<u>99</u>	<u>7</u>	<u>92</u>
As at June 30, 2013			
Not later than one year	36	5	31
Later than one year and not later than two years	36	4	32
Later than two years and not later than five years	63	3	60
	<u>135</u>	<u>12</u>	<u>123</u>

The Group leased its office premises and office equipment under operating lease arrangement which were negotiated for terms ranging from one to four years.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at June 30			As at April 30
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	123	832	903	1,707
Later than one year and not later than five years	—	1,038	373	2,734
	<u>123</u>	<u>1,870</u>	<u>1,276</u>	<u>4,441</u>

APPENDIX I

ACCOUNTANT'S REPORT

20. DEFERRED TAX

Details of the deferred tax liabilities recognised and movements during the Relevant Periods are as follows:

	Accelerated depreciation allowances <i>HK\$'000</i>
At July 1, 2012	—
Charged to profit or loss for the year (<i>Note 10</i>)	<u>(12)</u>
At June 30, 2013	(12)
Charged to profit or loss for the year (<i>Note 10</i>)	<u>(52)</u>
At June 30, 2014	(64)
Credited to profit or loss for the year (<i>Note 10</i>)	<u>15</u>
At June 30, 2015	(49)
Credited to profit or loss for the period (<i>Note 10</i>)	<u>21</u>
At April 30, 2016	<u><u>(28)</u></u>

Certain subsidiaries of the Group had estimated tax losses arising in Hong Kong amounting to approximately HK\$14,000, HK\$49,000, HK\$Nil and HK\$514,000 as at June 30, 2013, 2014 and 2015 and April 30, 2016, respectively, that are available indefinitely for offsetting against their future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses can be carried forward indefinitely.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

21. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on March 18, 2016 with an authorised share capital of HK\$350,000 divided into 35,000,000 ordinary shares of HK\$0.01 each. On the same date, 100 ordinary share of HK\$0.01 each was issued to CGH (BVI) Limited at HK\$1. Further details on the Company's share capital are set out in the sub-paragraph headed "Changes in share capital of our Company and subsidiaries" in Appendix V to the Document.

For the purpose of this report, the share capital of the Group as at June 30, 2013, 2014 and 2015 represented the combined share capital of the entities now comprising the Group as at June 30, 2013, 2014 and 2015. On March 22, 2016, the Reorganisation was completed, therefore the share capital presented as at April 30, 2016 represented the issued capital of the Company.

22. RESERVES

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the consolidated statement of changes in equity of this report.

(i) Merger reserve

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

APPENDIX I

ACCOUNTANT’S REPORT

(ii) **Exchange reserve**

It comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iii) **Retained earnings**

It represents cumulative net profits recognised in the consolidated statement of comprehensive income.

23. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, during the Relevant Periods, the Group entered into the following significant transactions with its related party, which also constitute connected transactions as defined in Chapter 14A of the [REDACTED], as follows:

	Year ended June 30			Ten months ended	
	2013	2014	2015	April 30	
	HK\$'000	HK\$'000	HK\$'000	2015	2016
				HK\$'000	HK\$'000
<i>Max Contracting Limited (“Max Contracting”) (Note(a))</i>					
Purchase of woodwork	8,640	8,073	7,560	7,113	2,779
Acquisition of furniture and fixtures	—	—	—	—	246
<i>Max Furniture Shenzhen Company Limited (“Max Furniture”) (“宏大傢俱(深圳)有限公司”) (Note(b))</i>					
Sales of goods	—	—	—	—	(863)
Purchase of woodwork	—	—	11	—	565
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Mr. Sandi Lee is a director of the company and has beneficial interest in the company.

(b) Mr. Sandi Lee has beneficial interest in the company.

The Directors are of the opinion that the above transactions were conducted in the normal course of the Group’s business and were determined based on mutually agreed prices and terms with reference to the market price at the time of the transaction.

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Year/period ended balance included in trade and other receivables				
Max Contracting	2,076	2,985	1,855	60
Max Furniture	—	—	—	218
Year/period ended balance included in trade and other payables				
Max Contracting	5,709	6,246	4,561	1,562
Max Furniture	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			13	—

APPENDIX I

ACCOUNTANT'S REPORT

24. DISPOSAL OF AN ASSOCIATE

In 2012, the Group held a 30% interest in Welljoin Engineering Limited accounted for the investment as an associate. On October 19, 2012, the Group disposed of a 30% interest in Welljoin Engineering Limited to a Director and a third party for proceeds of HK\$3,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	<i>HK\$'000</i>
Proceeds of disposal	3
Less: Carrying amount of the 30% investment on the date of loss of significant influence	<u>(3)</u>
Gain recognised	<u><u>—</u></u>

25. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. As the directors considers that the Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from amounts due from related parties and deposits with banks.

The credit risk of Group's trade and retention receivables is concentrated, since 20%, 9%, 14% and 20% of which was derived from largest customer and 52%, 37%, 43% and 51% of which was derived from five largest customers as at June 30, 2013, 2014 and 2015 and April 30, 2016, respectively. Management considered the credit risk is limited since the Group trades only with customers with an appropriate credit history and good reputation. The management monitored the financial background and creditability of those trade debtors on an ongoing basis.

Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk on amounts due from a director and related companies is limited and not concentrated. For the amount due from a director as at June 30, 2013 and 2014 who is also a one of Controlling Shareholders of the Company, a subsidiary of the Company distributed its retained profits in June 2015 to settle the amount due from the director. The director also confirmed that the amount due to a director as at June 30, 2015 and April 30, 2016 would be settled by cash before the [REDACTED] of shares of the Company on the [REDACTED] of the [REDACTED], the directors of the Company consider that the credit risk on the amount due from a director is minimal. For the amounts due from related companies have either sound financial position or financial support from parent to provide sufficient financial resources to meet their liabilities as they fall due and carry on their business without a significant curtailment of operation. Thus, the credit risk on the amounts due from related companies is also minimal.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Liquidity risk

In the management of liquidity risk, the Group’s policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Relevant Periods.

	On demand <i>HK\$’000</i>	Less than 3 months <i>HK\$’000</i>	3 to 12 months <i>HK\$’000</i>	Over 1 year <i>HK\$’000</i>	Total <i>HK\$’000</i>
As at April 30, 2016					
Trade and other payables	28,186	—	—	—	28,186
Amounts due to a director	10,655	—	—	—	10,655
	<u>38,841</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>38,841</u>
As at June 30, 2015					
Trade and other payables	17,941	—	—	—	17,941
Amounts due to a director	3,699	—	—	—	3,699
	<u>21,640</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,640</u>
As at June 30, 2014					
Trade and other payables	21,472	—	—	—	21,472
Obligation under finance lease	—	9	27	63	99
	<u>21,472</u>	<u>9</u>	<u>27</u>	<u>63</u>	<u>21,571</u>
As at June 30, 2013					
Trade and other payables	24,836	—	—	—	24,836
Obligation under finance lease	—	9	27	99	135
Amounts due to related parties	169	—	—	—	169
	<u>25,005</u>	<u>9</u>	<u>27</u>	<u>99</u>	<u>25,140</u>

On January 19, 2016, the Group obtained a banking facility of HK\$20,000,000 which is secured by: (i) the unlimited personal guarantees executed by Controlling Shareholders; and (ii) a charge over deposits at all times not less than the amount ranged between nil and HK\$15,000,000, which depends on the amount of drawdown of banking facilities.

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

APPENDIX I

ACCOUNTANT’S REPORT

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances. The analysis is prepared assuming that the bank balances at the end of each of the Relevant Periods were bank balances for the whole year/period. 25 basis points increase or decrease represents management’s assessment of the reasonably possible change in interest rates of bank balances.

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the Relevant Periods do not reflect the exposures during the Relevant Periods.

If interest rates on bank balances had been 25 basis points higher/lower and all other variables were held constant, the potential effect on the Group’s post-tax profit for the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016 is as follows:

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$’000	HK\$’000	HK\$’000	2016
				HK\$’000
Increase/(decrease) in profit for the year/period				
— as a result of increase in interest rate	87	58	75	62
— as a result of decrease in interest rate	(87)	(58)	(75)	(62)

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of the each of the Relevant Periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollars (“USD”), Renminbi (“RMB”), Euros (“EUR”), Great British Pound (“GBP”) and Canadian Dollar (“CAD”). For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each of the Relevant Periods as follows:

	USD	RMB	EUR	GBP	CAD
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
As at April 30, 2016					
Cash and cash equivalents	<u>5,245</u>	<u>3,930</u>	<u>34</u>	<u>7,823</u>	<u>744</u>
As at June 30, 2015					
Cash and cash equivalents	<u>713</u>	<u>2,090</u>	<u>218</u>	<u>9,265</u>	<u>756</u>
As at June 30, 2014					
Cash and cash equivalents	<u>577</u>	<u>817</u>	<u>3,177</u>	<u>1,868</u>	<u>859</u>
As at June 30, 2013					
Cash and cash equivalents	<u>1,379</u>	<u>183</u>	<u>1,704</u>	<u>1,190</u>	<u>882</u>

APPENDIX I

ACCOUNTANT'S REPORT

(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Relevant Periods.

	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	HK\$'000
As at April 30, 2016		
RMB	(2)	(79)
EUR	(2)	(1)
GBP	(7)	(548)
CAD	(2)	(15)
	<u>(2)</u>	<u>(15)</u>
As at June 30, 2015		
RMB	1	21
EUR	(18)	(39)
GBP	(8)	(741)
CAD	(14)	(106)
	<u>(14)</u>	<u>(106)</u>
As at June 30, 2014		
RMB	(1)	(8)
EUR	5	159
GBP	12	224
CAD	(1)	(9)
	<u>(1)</u>	<u>(9)</u>
As at June 30, 2013		
RMB	2	4
EUR	2	34
GBP	(4)	(48)
CAD	(4)	(35)
	<u>(4)</u>	<u>(35)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each of the Relevant Periods and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next reporting date. In this respect, it is assumed that the pegged rate between the HK\$ and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after tax and equity measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of the each of the reporting period for presentation purposes.

(e) **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Relevant Periods.

APPENDIX I

ACCOUNTANT’S REPORT

The Group monitors capital using a gearing ratio, which are interest-bearing liabilities divided by total capital. Total interest-bearing liabilities are calculated as the total of obligation under finance leases. Capital includes equity attributable to owners of the Company.

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Total interest-bearing liabilities	<u>123</u>	<u>92</u>	<u>—</u>	<u>—</u>
Equity attributable to the owners of the Company	<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>3,625</u>
Gearing ratio	<u>0.01 times</u>	<u>0.02 times</u>	<u>N/A</u>	<u>N/A</u>

26. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at June 30			As at
	2013	2014	2015	April 30
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Loans and receivables				
Trade and other receivables	12,598	17,792	11,995	20,691
Amounts due from a director	6,339	750	—	—
Amounts due from related companies	880	882	25	—
Cash and cash equivalents	<u>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>24,843</u>
	<u>54,660</u>	<u>42,451</u>	<u>42,066</u>	<u>45,534</u>
Financial liabilities at amortised cost				
Trade and other payables	24,836	21,472	17,941	28,186
Obligation under finance leases	123	92	—	—
Amounts due to a director	—	—	3,699	10,655
Amounts due to a related company	<u>169</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>25,128</u>	<u>21,564</u>	<u>21,640</u>	<u>38,841</u>

27. COMMITMENTS

Details of the Group’s operating lease commitments are set out in Note 19 above. The Group has no capital commitment at the end of each of the Relevant Periods.

APPENDIX I

ACCOUNTANT'S REPORT

III. DIRECTORS' REMUNERATION

Save as disclosed in Note 9(i) of Section II above, no other remuneration has been paid or is payable in respect of the Relevant Periods to the directors of the Company.

IV. SUBSEQUENT EVENTS

Subsequent to April 30, 2016 and up to the date of this report, the following significant events have taken place:

- (a) On August 22, 2016, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed "Written resolutions of our Shareholders passed on August 22, 2016" in Appendix V to the Document, certain of which is disclosed as follows:
 - (i) The authorised share capital of the Company was increased from HK\$350,000 to HK\$100,000,000 by the creation of additional 9,965,000,000 shares.
 - (ii) The Company's Share Option Scheme was adopted. Details of the Share Option Scheme are set out in section headed "Share Option Scheme" of Appendix V to the Document.

Save as disclosed above, there are no other significant events which have taken place subsequent to April 30, 2016.

V. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,

BDO Limited

Certified Public Accountants

Lo Ngai Hang

Practising Certificate Number P04743

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this document and the "Accountant's Report" set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the [REDACTED] is for illustration purposes only, and is set forth here to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 April 2016 as if the Share Offer had taken place on 30 April 2016.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at April 30, 2016 or at any future dates following the [REDACTED]. It is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at April 30, 2016 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets attributable to the owners of the Company as at April 30, 2016 HK\$'000	Estimated net proceeds from the [REDACTED] HK\$'000 (note 1)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share HK\$ (note 2)
Based on an [REDACTED] of [REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of [REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The estimated net proceeds from the [REDACTED] are based on [REDACTED] new shares and the indicative [REDACTED] of [REDACTED] and [REDACTED] per Share, being the minimum and maximum [REDACTED] per Share, assuming no exercise of [REDACTED] or any options may be granted under the Share Option Scheme, after deduction of the [REDACTED] and other related expenses payable by the Company in connection with the [REDACTED], taking into account of the effect of [REDACTED] related expenses of approximately HK\$10,549,000 that have been charged to profit or loss prior to 30 April 2016.
- (2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is calculated based on [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the Capitalisation Issue assuming (i) the [REDACTED] had been completed on 30 April 2016 and (ii) no exercise of the [REDACTED] or any options may be granted under the Share Option Scheme and no Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the [REDACTED] and issue or repurchase of Shares referred to in Appendix V to this document or otherwise.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2016.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

PROFIT ESTIMATE

The estimate of our consolidated profit attributable to owners of the Company for the year ended June 30, 2016 is set out in the section headed “Financial Information — Profit Estimate” in this document.

(A) BASES

The estimate of the consolidated profit attributable to owners of the Company for the year ended June 30, 2016 prepared by the Directors is based on (i) the audited consolidated results of the Group for the ten months ended April 30, 2016; and (ii) the unaudited consolidated results based on the management accounts of the Group for the remaining two months ended June 30, 2016. The estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the accountants’ report set out in Appendix I to this document.

APPENDIX III

PROFIT ESTIMATE

(B) LETTER FROM OUR REPORTING ACCOUNTANT

The following is the text of letter, prepared for the sole purpose of inclusion in this document, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended June 30, 2016.



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香港干諾道中111號
永安中心25樓

August 30, 2016

The Board of Directors
CROSSTEC Group Holdings Limited
Kingsway Capital Limited

Dear Sirs,

CROSSTEC Group Holdings Limited (the “Company”)

PROFIT ESTIMATE FOR THE YEAR ENDED JUNE 30, 2016

We refer to the estimate of the consolidated profit attributable to owners of the Company for the year ended June 30, 2016 (the “Profit Estimate”) set forth in the section headed “Financial Information — Profit Estimate” in the document of the Company dated August 30, 2016 (the “Document”).

DIRECTORS’ RESPONSIBILITIES

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the ten months ended April 30, 2016 and the unaudited consolidated results based on the management accounts of the Group for the remaining two months ended June 30, 2016.

The Company’s directors are solely responsible for the Profit Estimate.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT’S RESPONSIBILITIES

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III to the Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant’s report dated August 30, 2016, the text of which is set out in Appendix I to the Document.

Yours faithfully,

BDO Limited

Certified Public Accountants

Hong Kong

APPENDIX III

PROFIT ESTIMATE

(C) LETTER FROM THE SOLE SPONSOR ON THE PROFIT ESTIMATE

The following is the text of a letter, prepared for inclusion in this document by the Sole Sponsor, in connection with the estimated consolidated profit attributable to owners of the Company for the year ended 30 June 2016.

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

The Board of Directors
CROSSTEC Group Holdings Limited

Dear Sirs

We refer to the estimate of the consolidated profit attributable to owners of CROSSTEC Group Holdings Limited (the “Company”, together with its subsidiaries, herein collectively referred to as the “Group”) for the year ended June 30, 2016 (the “Profit Estimate”) as set forth in the Profit Estimate sections of the document of the Company dated August 30, 2016 (the “Document”).

The Profit Estimate, for which you as the directors of the Company (“Directors”) are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the 10 months ended April 30, 2016 and unaudited consolidated results based on the management accounts of the Group for the remaining 2 months ended June 30, 2016.

We have discussed with you the bases made by the Directors as set forth in Appendix III to the Document upon which the Profit Estimate has been made. We have also considered the letter dated August 30, 2016 addressed to you and us from the Company’s reporting accountants, BDO Limited, regarding the accounting policies and the calculations upon which the Profit Estimate has been based.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and the calculations adopted by you and reviewed by BDO Limited, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Kingsway Capital Limited
Karen Wong
Managing Director

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 18, 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on August 22, 2016. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of [REDACTED] (the "[REDACTED]"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the [REDACTED] may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the [REDACTED], be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the [REDACTED]) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the [REDACTED] and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the [REDACTED], allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the [REDACTED], required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the [REDACTED] at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the [REDACTED], a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the [REDACTED].

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the [REDACTED], any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on March 18, 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from April 12, 2016.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the

APPENDIX IV

**SUMMARY OF THE CONSTITUTION OF
THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 18, 2016. Our Company has established a principal place of business in Hong Kong at Room 1505, 625 King's Road, North Point, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 13, 2016 under the same address. Mr. Lau King Lok has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in the section headed "Summary of the constitution of the Company and Cayman Islands Company Law" in Appendix IV to this document.

2. Changes in share capital of our Company and subsidiaries

- (a) As at the date of incorporation, our authorized share capital was HK\$350,000 divided into 35,000,000 Shares of HK\$0.01 each. Upon the date of incorporation, 1 fully paid share was transferred and 99 fully paid Share was allotted and issued at par value to CGH (BVI).
- (b) On August 22, 2016, our authorized share capital was increased to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each.
- (c) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on August 22, 2016" in this appendix and pursuant to the Share Option Scheme and the [REDACTED], our Company does not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (d) Save as disclosed in this document, there has been no alteration in the share capital of our subsidiaries since its incorporation or for the past two years.

3. Written resolutions of our Shareholders passed on August 22, 2016

On August 22, 2016, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to this document;

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (b) conditional on the [REDACTED] granting [REDACTED] of, and permission to [REDACTED], our Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme or the [REDACTED] and on the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:
- (i) the [REDACTED] was approved and our Directors were authorized to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank *pari passu* with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorized, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) the [REDACTED] were approved and our Directors were authorized to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] to rank *pari passu* with the then existing Shares in all respects;
 - (iv) the increase in authorized share capital of our Company from HK\$350,000 divided into 35,000,000 Shares of HK\$0.01 each, to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each, each Share ranks *pari passu* in all respects with the existing Shares was approved;
 - (v) conditional further on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to capitalize an amount of [REDACTED] standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] Shares for allotment and issue to the persons whose names appear on the register of members of our Company immediately before the completion of the [REDACTED] in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such [REDACTED] and distributions and the [REDACTED] was approved;

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the [REDACTED], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the [REDACTED] or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the [REDACTED] for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which maybe granted under the Share Option Scheme.

4. Corporate Reorganization

In preparing for the [REDACTED], the companies comprising our Group underwent the Reorganization to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the section headed “History and Reorganization — Reorganization” in this document for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are [REDACTED] in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed “History and Reorganization” in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase of our Shares by our Company

This section contains information required by the [REDACTED] to be included in this document concerning the repurchase of our Shares by our Company.

(a) Provisions of the [REDACTED]

The [REDACTED] permit companies whose primary [REDACTED] is on the [REDACTED] to repurchase their securities on the Main Board subject to certain restrictions, a summary of which is set out below:

(i) Shareholders’ approval

The [REDACTED] provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary [REDACTED] on the [REDACTED] must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Note: Pursuant to the written resolutions passed by our Shareholders on August 22, 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on the [REDACTED] or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the [REDACTED] for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the [REDACTED]. Our Company may not repurchase its own Shares on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the [REDACTED] from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The [REDACTED] prohibit our Company from knowingly repurchasing our Shares on the Main Board from a “connected person” (as defined in the [REDACTED]), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company on the Main Board.

(b) Exercise of the Repurchase Mandate

On the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming that none of the [REDACTED] and the options under the Share Option Scheme is exercised), our Directors would be authorized under the Repurchase Mandate to repurchase up to [REDACTED] Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the [REDACTED] and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the [REDACTED]) of any Director, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the [REDACTED] that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the [REDACTED], the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the [REDACTED] of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the [REDACTED] falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum [REDACTED] under the [REDACTED]). No connected person (as defined in the [REDACTED]) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this document and are or may be material in relation to the business of our Company taken as a whole:

- (a) the Deed of Non-competition; and
- (b) the [REDACTED]

2. Intellectual property rights of our Group


(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong:

Trademark	Class	Applicant	Trademark number	Date of Registration
CROSSMAX GROUP INTERNATIONAL	20, 37, 42	CROSSTEC Group Limited	303667023	January 22, 2016 to January 21, 2026
	20, 37, 42	CROSSTEC Group Limited	303667023	January 22, 2016 to January 21, 2026
CROSSMAX	20, 37, 42	CROSSTEC Group Limited	303667032	January 22, 2016 to January 21, 2026
	20, 37, 42	CROSSTEC Group Limited	303667032	January 22, 2016 to January 21, 2026
CROSSTEC GROUP INTERNATIONAL	20, 37, 42	CROSSTEC Group Limited	303678913	February 3, 2016 to February 2, 2026

APPENDIX V

STATUTORY AND GENERAL INFORMATION

Trademark	Class	Applicant	Trademark number	Date of Registration
	20, 37, 42	CROSSTEC Group Limited	303678913	February 3, 2016 to February 2, 2026
CROSSTEC	20, 37, 42	CROSSTEC Group Limited	303678922	February 3, 2016 to February 2, 2026
CROSSTEC	20, 37, 42	CROSSTEC Group Limited	303678922	February 3, 2016 to February 2, 2026

(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which are material to the business of our Group

Registered owner	Domain name	Registration date	Expiry date
CROSSTEC International Limited	www.crosstec.com.hk	January 18, 2016	January 18, 2017
CROSSTEC Interiors Limited	www.crossmax.com.hk	May 19, 2001	January 11, 2019

APPENDIX V

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the [REDACTED] and the [REDACTED] but taking no account of any Shares which may be issued under the [REDACTED] or upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are [REDACTED] on the [REDACTED], will have to be notified to our Company and the [REDACTED] pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the [REDACTED] contained in the [REDACTED], to be notified to our Company and the [REDACTED], will be as follows:

Long Position in the Shares

Name of Director/ chief executive	Capacity/Nature of interest	Number of underlying Shares (Note 1)	Percentage of shareholding
Mr. Lee	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(b) Interests of substantial and other Shareholders in our Shares and Underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be issued under the [REDACTED], and any Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED] and the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the [REDACTED] under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of underlying Shares <i>(Note 1)</i>	Percentage of shareholding
CGH (BVI) <i>(Note 2)</i>	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Lee	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]
Ms. Leung	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]

Note:

1. All interests stated are long positions.
2. CGH (BVI) is owned as to 50% and 50% by each of Mr. Lee and Ms. Leung, who are deemed to be interested in 75% of the issued share capital of our Company in which CGH (BVI) will be interested in. Ms. Leung is the spouse of Mr. Lee and she is deemed to be interested in Mr. Lee's interest in the Company, and vice versa.

2. Particulars of service contracts

None of the Director has or is proposed to have any service agreement with our Company or any of its subsidiary (excluding contracts expiring or determinable by employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by our Group to our Directors in respect of the three years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 were approximately HK\$1.9 million, HK\$2.3 million, HK\$3.4 million and HK\$4.2 million respectively.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (b) Each of the Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

4. Related party transactions

Details of the related party transactions are set out under Note 23 to the Accountant's Report of our Company set out in Appendix I to this document.

5. Disclaimers

Save as disclosed in this document:

- (a) taking no account of any Shares which may be issued under the [REDACTED] or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed "Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the [REDACTED], our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] and the [REDACTED], have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the [REDACTED] pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the [REDACTED] under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the [REDACTED] contained in the [REDACTED], to be notified to our Company and the [REDACTED], in each case once our Shares are [REDACTED] on the Main Board;
- (c) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the [REDACTED]) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on August 22, 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the [REDACTED].

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

- “Adoption Date” August 22, 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
- “Scheme Period” means a period of ten years commencing from the date on which the Share Option Scheme becomes unconditional

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on August 22, 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recruit and retain high-calibre employees, to attract human resources that are valuable to our Group, to provide additional incentive or rewards to employees (full time and part-time), directors, consultants, advisors, contractors, suppliers, customers and shareholders of our Group.

(ii) Who may join and basis of eligibility

Our Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, contractor, supplier, consultant, advisor, customer or shareholder of our Group options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by our Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by our Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the [REDACTED] daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the [REDACTED] daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been [REDACTED] on the [REDACTED] for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before [REDACTED].

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$10.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the [REDACTED]. Therefore, it is expected that our Company may grant options in respect of up to [REDACTED] Shares to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the [REDACTED] in this regard.
- (cc) our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the [REDACTED].
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity

APPENDIX V

STATUTORY AND GENERAL INFORMATION

of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the [REDACTED]. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the [REDACTED] in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the [REDACTED] and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of our Board meeting (such date to first be notified to the [REDACTED] in accordance with the [REDACTED]) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the [REDACTED]); and

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the [REDACTED], or other interim period (whether or not required under the [REDACTED]).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as our Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of six months following his death or such longer period as the Board may determine.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 14 days after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to our Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the [REDACTED], or any guideline or supplemental guideline issued by the [REDACTED] from time to time (no such certification is required in case of adjustment made on a [REDACTED]), provided that any alteration shall give a grantee the same proportion of the

APPENDIX V

STATUTORY AND GENERAL INFORMATION

issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("**Suspension Date**"), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be

APPENDIX V

STATUTORY AND GENERAL INFORMATION

suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which our Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as our Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing from the date on which the Share Option Scheme becomes unconditional and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of our Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the [REDACTED] shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of our Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the [REDACTED] or any guidelines issued by the [REDACTED] from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

- (aa) the passing of the necessary resolution by the Shareholders to approve and adopt the rules of the Share Option Scheme;
- (bb) the [REDACTED] of the [REDACTED] granting approval of [REDACTED] of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the subscription rights attaching to the options under the Share Option Scheme;

APPENDIX V

STATUTORY AND GENERAL INFORMATION

(cc) the obligation of the [REDACTED] under the [REDACTED] Agreements becoming unconditional and not being terminated in accordance with its terms or otherwise; and

(dd) the commencement of dealings in the Shares on the [REDACTED].

(c) Present status of the Share Option Scheme

Application has been made to the [REDACTED] for [REDACTED] of and permission to [REDACTED] the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, our Company is not involved in any material litigation, arbitration or administrative proceedings. We confirm that, no such litigation, arbitration or administrative proceedings of material importance is pending or threatened by or against any members of our Group.

2. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] for [REDACTED] of and permission to [REDACTED] our Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the any of the [REDACTED]. The Sponsor has confirmed to the [REDACTED] that it satisfies the independence test as stipulated under Rule 3A.07 of the [REDACTED].

The Sponsor's fee in relation to the [REDACTED] is HK\$5.2 million.

3. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company were approximately HK\$50,000 and were paid by us.

4. Promoter

Our Company has no promoter for the purpose of the [REDACTED].

APPENDIX V

STATUTORY AND GENERAL INFORMATION

5. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

Name	Qualification
Kingsway Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants, Hong Kong
Appleby	Legal advisors as to Cayman Islands law
MdME	Macau legal advisors
Beijing Jingtian & Gongcheng Law Firm	PRC legal advisors
Hogan Lovells	Legal advisors as to International Sanctions laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
BDO Tax Limited	Tax advisors in relation to the income tax rates in Italy, Japan, the PRC and the US

6. Consents of experts

Each of the experts as referred to in the paragraph “— 5. Qualification of experts” in this appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of such experts has any equity interest in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

7. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

8. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by [REDACTED] and a branch register of members of our Company will be maintained by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into [REDACTED].

9. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since April 30, 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

10. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

APPENDIX V

STATUTORY AND GENERAL INFORMATION

11. Miscellaneous

- (a) Save as disclosed in this document:
 - (i) Within the two years immediately preceding the date of this document:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable (except to [REDACTED]) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries.
 - (ii) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
 - (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;
 - (v) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorized or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
 - (vi) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
 - (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
 - (viii) our Group has no outstanding convertible debt securities;
 - (ix) the English text of this document shall prevail over the Chinese text; and

APPENDIX V

STATUTORY AND GENERAL INFORMATION

- (x) Save as disclosed in the section headed “Underwriting — [REDACTED]” in this document, and in the paragraph headed “Sole Sponsor” in this appendix, none of the Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

12. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in Section 4 of the [REDACTED].

APPENDIX VI

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of each of the [REDACTED], copies of the written consents referred to in the section headed “Statutory and general information — Other information — Consents of experts” in Appendix V to this document and copies of the material contracts referred to in the section headed “Statutory and general information — Further information about the business — Summary of material contracts” in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report prepared by BDO Limited, the text of which is set out in Appendix I to this document;
- (c) the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
- (d) the letters relating to the profit estimate, the text of which is set out in Appendix III to this document;
- (e) the audited statutory financial statements of the companies comprising our Group issued for the Track Record Period;
- (f) the legal opinion issued by Hogan Lovells, our legal advisors in respect of International Sanctions laws;
- (g) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant;
- (h) the PRC legal opinions issued by Beijing Jingtian & Gongcheng Law Firm, our PRC legal advisors in respect of our Group’s operation in PRC;
- (i) the material contracts referred to in the section headed “Statutory and general information — Further information about the business — Summary of material contracts” in Appendix V to this document;
- (j) the service agreements referred to in the section headed “Statutory and general information — Further information about substantial shareholders, directors and experts — Particulars of service contracts” in Appendix V to this document;
- (k) the rules of the Share Option Scheme referred to in the section headed “Statutory and general information — Share Option Scheme” in Appendix V to this document;

APPENDIX VI

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (l) the written consents referred to in the section headed “Statutory and general information — Other information — Consents of experts” in Appendix V to this document;
- (m) the Companies Law; and
- (n) the letter prepared by Appleby summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this document.