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**Application Proof of**  
**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] Shares : [REDACTED] Shares (subject to [REDACTED])**

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

**[REDACTED] : Not more than [REDACTED] and not less than [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]**

**Sole Sponsor**

**SUNWAH KINGSWAY**

**新華滙富**

**Kingsway Capital Limited**

**[REDACTED]**

**SUNWAH KINGSWAY**

**新華滙富**

**Kingsway Financial Services Group Limited**

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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 Underwriters) 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 Underwriters). 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 Underwriters), 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](http://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 Underwriters) 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 Underwriters), 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](http://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 “Underwriting — [REDACTED] — Grounds for Termination” in this document occurs prior to 8:00 a.m. on the [REDACTED]. It is important that you refer to the section headed “Underwriting” in this document for further details. It is important that you carefully read those sections before making any investment decision.

Prior to making an [REDACTED] decision, prospective [REDACTED] 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.

[March 23, 2016]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

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### IMPORTANT NOTICE TO [REDACTED]

*This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an [REDACTED] 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.*

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## 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 one-stop interior design solutions for global luxury goods and high-end fashion brands. According to the Frost & Sullivan Report, we are the largest Hong Kong-based luxury retail interior designer in terms of revenue in 2014. 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.

Our revenues for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 were HK\$123.8 million, HK\$113.8 million, HK\$130.6 million and HK\$59.8 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 six months ended December 31, 2015 were HK\$33.4 million, HK\$37.0 million, HK\$44.2 million and HK\$20.4 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 657 projects in 65 cities, of which 60.9%, 16.0%, 17.0% and 4.4% of our completed projects were in Hong Kong, Europe, Asia (excluding Hong Kong and China), and Americas. As at the Latest Practicable Date, we had a total of 25 projects on hand. The majority of these projects are engaged by clients located in the United States and Europe with a total contract sum of HK\$52.8 million.

## 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.

## PRICING

We generally determine our service fees by adding a margin to the estimated time cost and cost of materials, also taking into account other factors including, amongst others, the size of the order, the extent of research and development involved, delivery schedule and project location.



## SUMMARY

### 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 Client G for their stores worldwide since 2003 and 2009, respectively. For further details, please see the section headed “History and Reorganization — Our Business Milestones”.

### OUR CLIENTS

The majority of our clients are global luxury goods and high-end fashion brands with retail boutiques across the world. We have established business relationships with our five largest clients during the Track Record Period, for an average of over five years. For the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015, revenue derived from our five largest clients amounted to approximately 73.6%, 72.1%, 77.9% and 84.8% respectively of the total revenue of our Group, whilst our largest client account for approximately 21.6%, 27.2%, 34.2% and 39.4% respectively of the total revenue of our Group for the same period.

### OUR SUPPLIERS AND SUB-CONTRACTORS

The principal materials that are used for our business operations include metal, glass, lighting and wooden furniture which accounted for approximately 63.4%, 70.4%, 72.4% and 74.9% of our total material costs in the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 respectively. Our largest supplier accounted for approximately 23.2%, 32.5%, 25.8% and 24.9% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 respectively. The purchases from our five largest suppliers accounted for approximately 46.3%, 55.0%, 49.3% and 42.6% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 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, China, Taiwan and Singapore.

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 three 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. Top five Hong Kong-based interior design companies account for no more than 1.0% in aggregate for interior design services to the global luxury goods and high-end fashion brands in 2014. Top five global companies took a combined share of 19.4% in the interior design market of Hong Kong luxury goods and high-end fashion brands in 2014. For details, please see the section headed “Industry Overview”.

### COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe we have the following competitive strengths:

- One-stop 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 one-stop 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;
- There is no assurance that our clients will pay any retention money in full after project completion or expiry of any defect liability period;
- Project delays may cause us to incur penalties and additional costs, experience delays in receiving payments and our business and reputation may be affected;
- If we fail to meet a specified technical standard, we may have to incur additional costs to remedy the defect, and our reputation and business could suffer;
- 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;
- 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;
- Non-renewal of, or delay in obtaining licenses may have a material adverse effect on our operations;

**SUMMARY**

- 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
- Luxury brands may reduce reliance on physical stores.

**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:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the [REDACTED] and the [REDACTED] <i>(Note 1)</i></b>	<b>Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]</b>
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.

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.

## SUMMARY

### OUR RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our combined 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,				Six months ended December 31			
	2013 HK\$'000	% change	2014 HK\$'000	% change	2015 HK\$'000	2014 HK\$'000 (unaudited)	% change	2015 HK\$'000
<b>Revenue</b>	123,767	(8.1%)	113,798	14.7%	130,578	76,934	(22.3%)	59,768
Direct cost	<u>(90,400)</u>	(15.1%)	<u>(76,751)</u>	12.5%	<u>(86,376)</u>	<u>(50,354)</u>	(21.8%)	<u>(39,392)</u>
<b>Gross profit</b>	33,367	11.0%	37,047	19.3%	44,202	26,580	(23.3%)	20,376
Other income	3	0.0%	3	33.3%	4	1	100.0%	2
Other gains and losses	—	—	306	(85.6%)	44	21	—	—
Administrative expenses [REDACTED]	<u>(12,523)</u>	3.9%	<u>(13,006)</u>	20.1%	<u>(15,615)</u>	<u>(5,724)</u>	22.3%	<u>(7,001)</u>
<b>Operating profit</b>	20,847	16.8%	24,350	17.6%	28,635	20,878	(49.9%)	10,467
Finance costs	<u>(7)</u>	(28.6%)	<u>(5)</u>	(40.0%)	<u>(3)</u>	<u>(2)</u>	(100.0%)	<u>—</u>
<b>Profit before income tax expense</b>	20,840	16.8%	24,345	17.6%	28,632	20,876	(49.9%)	10,467
Income tax expense	<u>(3,522)</u>	18.2%	<u>(4,164)</u>	16.5%	<u>(4,849)</u>	<u>(3,455)</u>	(51.6%)	<u>(1,673)</u>
<b>Profit for the year/period and attributable to owners of the Company</b>	17,318	16.5%	20,181	17.8%	23,783	17,421	(49.5%)	8,794
<b>Items that may be reclassified subsequently to profit or loss</b>								
Exchange differences on translating foreign operations	<u>39</u>	—	<u>—</u>	—	<u>—</u>	<u>—</u>	—	<u>(59)</u>
<b>Other comprehensive income for the year/period and attributable to owners of the Company, net of tax</b>	<u>39</u>	—	<u>—</u>	—	<u>—</u>	<u>—</u>	—	<u>(59)</u>
<b>Total comprehensive income for the year/period and attributable to owners of the Company</b>	<u>17,357</u>	16.3%	<u>20,181</u>	17.8%	<u>23,783</u>	<u>17,421</u>	(49.9%)	<u>8,735</u>

## SUMMARY

### Revenue

Our revenue was HK\$123.8 million, HK\$113.8 million, HK\$130.6 million, HK\$76.9 million and HK\$59.8 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively.

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

	Year ended June 30,				Six months ended December 31					
	2013 HK\$'000	% of revenue	2014 HK\$'000	% of revenue	2015 HK\$'000	% of revenue	2014 HK\$'000 (unaudited)	% of revenue	2015 HK\$'000	% of revenue
Millwork and furniture provision	38,434	31.1%	64,726	56.9%	57,904	44.3%	32,370	42.1%	41,135	68.8%
Facade development and fabrication	16,153	13.1%	8,346	7.3%	6,823	5.2%	4,221	5.5%	5,729	9.6%
Interior solutions	69,145	55.8%	40,721	35.8%	64,752	49.7%	39,285	51.0%	12,862	21.5%
Design and project consultancy	<u>35</u>	0.0%	<u>5</u>	0.0%	<u>1,099</u>	0.8%	<u>1,058</u>	1.4%	<u>42</u>	0.1%
<b>Total</b>	<u>123,767</u>	100.0%	<u>113,798</u>	100.0%	<u>130,578</u>	100.0%	<u>76,934</u>	100.0%	<u>59,768</u>	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.

### Gross profit and gross margin

Our gross profit was HK\$33.4 million, HK\$37.0 million, HK\$44.2 million, HK\$26.6 million and HK\$20.4 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Our gross profit margin was 27.0%, 32.6%, 33.9%, 34.5% and 34.1% for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Our gross profit margin increased primarily due to our improvement of production methodology and our creative use of cost effective materials which lowered our direct cost while there was an increase in our revenue.

### Profit for the year

Our profit for the year was HK\$17.3 million, HK\$20.2 million, HK\$23.8 million, HK\$17.4 million and HK\$8.8 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively.

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

**SUMMARY**

**Selected Consolidated Balance Sheet**

	As at June 30,		As at	
	2013	2014	2015	December 31
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>	<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,065</u>
<b>Current assets</b>	<u>70,648</u>	<u>54,799</u>	<u>48,525</u>	<u>65,192</u>
<b>Total assets</b>	<u>71,186</u>	<u>55,867</u>	<u>49,086</u>	<u>66,257</u>
<b>Current liabilities</b>	<u>61,612</u>	<u>50,068</u>	<u>39,578</u>	<u>60,035</u>
<b>Net current assets</b>	<u>9,036</u>	<u>4,731</u>	<u>8,947</u>	<u>5,157</u>
<b>Total assets less current liabilities</b>	<u>9,574</u>	<u>5,799</u>	<u>9,508</u>	<u>6,222</u>
<b>Non-current liabilities</b>	<u>104</u>	<u>123</u>	<u>49</u>	<u>28</u>
<b>Total liabilities</b>	<u>61,716</u>	<u>50,191</u>	<u>39,627</u>	<u>60,063</u>
<b>NET ASSETS</b>	<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</u>
<b>TOTAL EQUITY</b>	<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</u>

**SUMMARY**

**Selected Consolidated Statement of Cash Flows**

	<b>Year ended June 30,</b>			<b>Six months ended</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31,</b>	
	<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	10,418	8,506
Net cash generated from/(used in)					
investing activities	(10,023)	(19,645)	(14,670)	1,716	(1,174)
Net cash used in financing activities	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(17)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	23,952	(12,043)	7,851	12,117	7,332
Effect of exchange rate changes on cash and cash equivalents	(15)	227	(832)	42	(692)
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>35,186</u></u>	<u><u>36,686</u></u>

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

**Major Financial Ratios**

	<b>As at June 30,</b>			<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31,</b>
	%	%	%	<b>2015</b>
				%
<b>Profitability ratios</b>				
Gross profit margin <sup>(1)</sup>	27.0	32.6	33.9	34.1
Net profit margin <sup>(2)</sup>	14.0	17.7	18.2	14.7
Return of equity <sup>(3)</sup>	182.9	355.5	251.4	284.0
Return of total assets <sup>(4)</sup>	24.3	36.1	48.5	26.5



**SUMMARY**

	As at June 30,		As at December 31,	
	2013	2014	2015	2015
	<i>times</i>	<i>times</i>	<i>times</i>	<i>times</i>
<b>Liquidity ratios</b>				
Current ratio <sup>(5)</sup>	1.1	1.1	1.2	1.1
Quick ratio <sup>(6)</sup>	1.1	1.1	1.2	1.1
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(7)</sup>	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.
5. The calculation of current ratio is based on current assets divided by current liabilities and multiplied by 100%.
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.

**RECENT DEVELOPMENT**

On January 19, 2016, Hang Seng Bank agreed to grant us a revolving loan facility of HK\$20 million, subject to review at any time and in any event by January 31, 2017.

**[REDACTED]**

The total expenses for [REDACTED] are estimated to be approximately [REDACTED], of which approximately [REDACTED] was recognized as [REDACTED] in our combined statements of comprehensive income during the six months ended December 31, 2015, and approximately [REDACTED] was capitalized as deferred expenses in our combined statement of financial position to be recognized as a deduction in equity. We expect to incur additional [REDACTED] of approximately [REDACTED] which will be recognized as [REDACTED] for the year ending June 30, 2016.

**SUMMARY**

**FUTURE PLANS AND USE OF PROCEEDS**

We estimate that the net proceeds we will receive from the [REDACTED] (after deducting [REDACTED] 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 for the following purposes:

- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for financing the establishment of research and development center in Hong Kong;
- 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;
- 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;
- 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;
- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for pursuing suitable acquisition and partnership opportunities; and
- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for additional working capital and other general corporate purposes.

**[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] to [REDACTED]

[REDACTED]. . . . . [REDACTED] Shares

Unaudited pro forma adjusted combined  
net tangible assets per Share<sup>(1)</sup>. . . . . [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 [●] 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 III 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

“CGH (BVI)”	CGH (BVI) Limited, a company established in the BVI with limited liability on March 17, 2016, which is owned by each of Mr. Lee and Ms. Leung as to 50%
“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) (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 [●]
“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

## DEFINITIONS

“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 [●] 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
“Director(s)”	the director(s) of our Company
“EU”	the European Union
“Frost & Sullivan Report”	an industry report dated [●] commissioned by us and issued by Frost & Sullivan, an independent research firm
“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]

## DEFINITIONS

[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

“Kingsway Capital” or “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

“Latest Practicable Date” [March 13, 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]

## DEFINITIONS

“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
“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]

## DEFINITIONS

[REDACTED]

“PRC” or “China”

People’s Republic of China which, for the purposes of this document only, excludes Hong Kong, Macau and Taiwan

[REDACTED]

[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 IV to this document



## DEFINITIONS

“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 IV 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
“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 [●], 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 IV to this document
“Shareholder(s)”	holder(s) of the Share(s)
“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 six months ended December 31, 2015

## DEFINITIONS

[REDACTED]

“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 investment in the [REDACTED]. 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 [REDACTED] could decline and you may lose all or part of your investment.*

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 — Combined 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**

### **There is no assurance that our clients will pay the retention money in full after project completion or the expiry of any defect liability period**

For our interior solutions projects, a portion of the fees, representing approximately 5% to 10%, may be withheld by our clients as retention money and will be released after the expiry of any defect liability period, which generally lasts for three to twelve months. There can be no assurance that retention money is paid to us on time and in full. Any failure by our clients to pay us on time and in full may affect on our future financial position.

### **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

## **RISK FACTORS**

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 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.

## **RISK FACTORS**

### **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 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 (where certain Sanctioned Persons are located), 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 six months ended December 31, 2016, respectively. We may continue to carry out such business activities from time to time in connection with such Sanctioned Countries and Russia (where certain Sanctioned Persons are located). For details of the business operations in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located), please refer to “Business — Business activities in Lebanon and Russia”.

We undertake to the [REDACTED] that we will not use the [REDACTED] 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, Russia

## RISK FACTORS

(where certain Sanctioned Persons are located), 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”.

We will also seek to prevent our transactions in relation to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) 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, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the [REDACTED], or our Shareholders or [REDACTED] 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 [REDACTED], which could affect the price of our [REDACTED] and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the [REDACTED] to dealings with sanctioned parties. Before [REDACTED] in our [REDACTED], 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.



## **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**

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. An actual or anticipated further deterioration of 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 the [REDACTED] of the [REDACTED] may be volatile**

Prior to the [REDACTED], there is no [REDACTED] market for the [REDACTED]. The [REDACTED] of, and the permission to deal with, the Shares 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**

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 [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.

## **RISK FACTORS**

**[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 III to this document.

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

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 [REDACTED]. 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.

**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.

## RISK FACTORS

**[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, the [REDACTED], the Underwriters, 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 investors 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].

**WAIVER FROM STRICT COMPLIANCE WITH THE [REDACTED]**

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 and Rule 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.

**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**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<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 A, 44/F, Highcliff 41D Stubbs 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] and  
[REDACTED]**

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

**Underwriters**

[●]

**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:*

**Jingtian & Gongcheng**  
Room 3407, Shenzhen Stock Exchange Square  
2012 Shennan Blvd, Futian District  
Shenzhen 518038, China

*As to Macau law:*

**MdME**  
Avenida da Praia Grande  
409, China Law Building 2  
1/F and 23/F A–B  
Macau

*As to International Sanctions law:*

**DLA Piper**  
17th Floor, Edinburgh Tower  
The Landmark, 15 Queen's Road Central  
Hong Kong

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**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

<b>Registered Office in the Cayman Islands</b>	P.O. BOX 1350 Clifton House 75 Fort Street Cayman Island KY1-1108 Cayman Islands
<b>Headquarter</b>	Room 1505 625 King's Road North Point Hong Kong
<b>Principal place of business in Hong Kong (registered under Part 16 of the Companies Ordinance)</b>	Room 1505 625 King's Road North Point Hong Kong
<b>Company secretary</b>	Mr. Lau King Lok
<b>Authorized representatives (for the purpose of the [REDACTED])</b>	Mr. Lee Wai Sang Mr. Lau King Lok
<b>Audit committee</b>	Mr. So Chi Hang ( <i>Chairman</i> ) Mr. Lau Lap Yan, John Mr. Heng Ching Kuen, Franklin
<b>Remuneration committee</b>	Mr. So Chi Hang ( <i>Chairman</i> ) Mr. Lee Wai Sang Mr. Heng Ching Kuen, Franklin
<b>Nomination committee</b>	Mr. Lee Wai Sang ( <i>Chairman</i> ) Mr. So Chi Hang Mr. Heng Ching Kuen, Franklin
<b>Risk management committee</b>	Mr. Heng Ching Kuen, Franklin ( <i>Chairman</i> ) Mr. So Chi Hang Mr. Lau King Lok
<b>Compliance advisor</b>	<b>Kingsway Capital Limited</b>  [REDACTED]

**CORPORATE INFORMATION**

[REDACTED]

**Principal banker**

**HSBC**  
1 Queen's Road Central  
Hong Kong

**Bank of China (Hong Kong) Limited**  
No. 1 Garden Road  
Central  
Hong Kong

**Company's website address**

[www.crosstec.com.hk](http://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 Underwriters, 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 2015 to 2019.

### ABOUT FROST & SULLIVAN

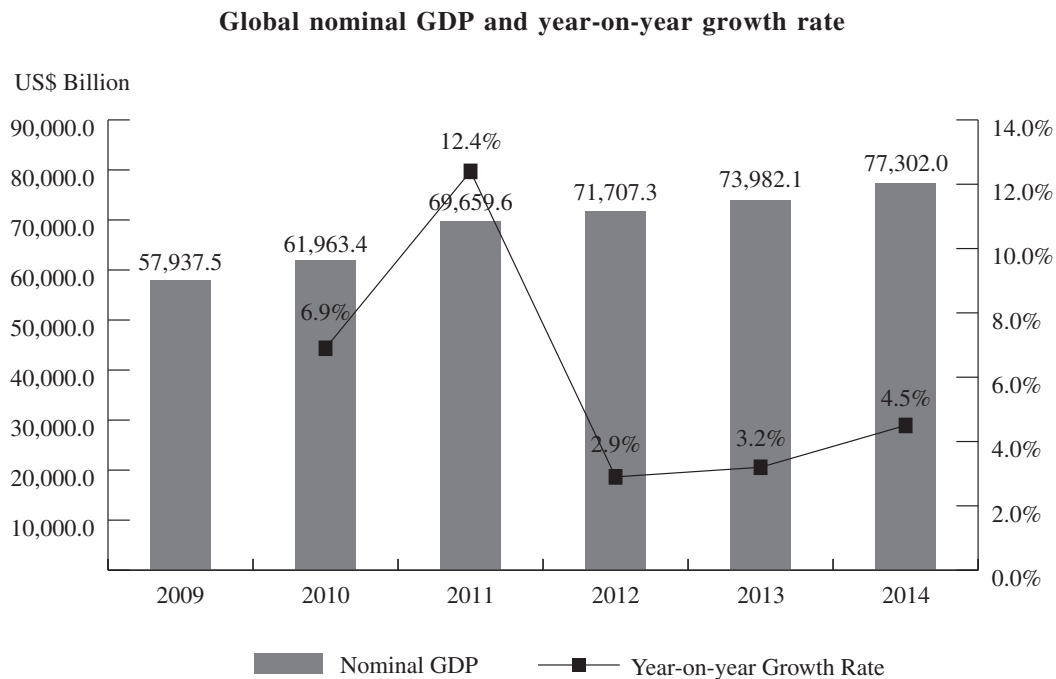
Frost & Sullivan is a global consulting company founded in 1961 with more than 1,800 industry consultants and analysts based in 40 global offices. Its professional services cover technology research, market research, mega trends, economic research, best practices, training, customer research, competitive 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 5.9% from 2009 to 2014, arriving at US\$77,302.0 billion in 2014. 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 2009 to 2014:



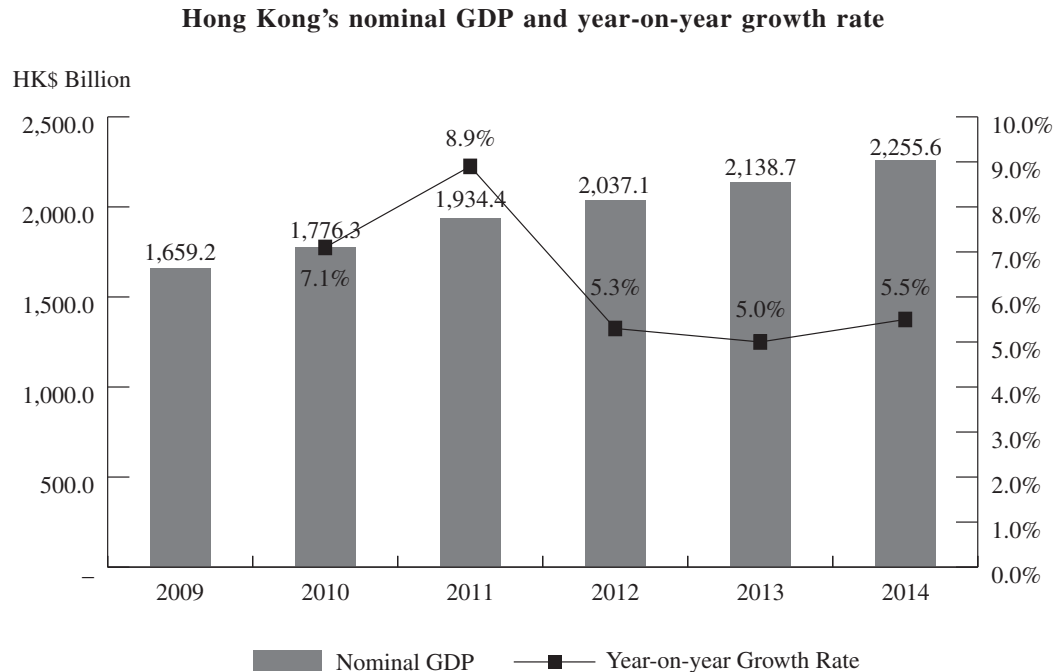
*Source: International Monetary Fund*

Hong Kong has shown a steady economic growth in the past few years, with the nominal GDP having increased from HK\$1,659.2 billion in 2009 to HK\$2,255.6 billion in 2014, which represented a CAGR of 6.3%. 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 2009 to 2014:



*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, Hermes, etc..

### Global retail market

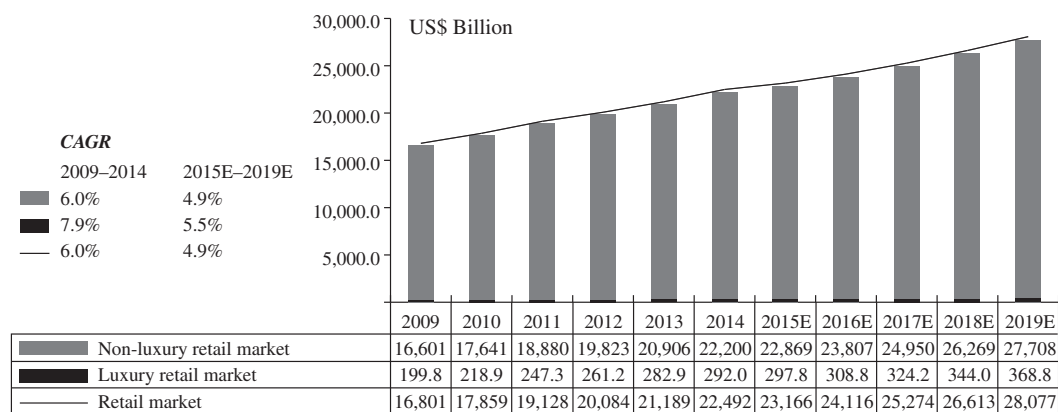
Global retail market has experienced a healthy growth and future incremental growth is estimated to remain stable. This is mainly attributable to the steady growth in global macro-economy, with the developed countries continuing to drive retail consumption while the developing countries heighten their consumption demand. Global retail market size achieved US\$22,492.0 billion in 2014, growing at a CAGR of 6.0% from 2009 to 2014, and is expected to realize a 4.9% CAGR from 2015 to 2019, representing a market size of US\$ 28,077.5 billion.

Global retail sales of luxury goods and high-end fashion in the retail market US\$292.0 billion in 2014, which increased at a CAGR of 7.9% over the past five year since 2009, and is expected to maintain growth with a CAGR of 5.5% from 2015 to achieve US\$368.8 billion in 2019.

## INDUSTRY OVERVIEW

The chart below sets forth the global retail market size by segment from 2009 to 2019:

**Global retail market size by segment, 2009–2019E**



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 2014. Given its international image, Hong Kong attracted 60.8 million visitors from overseas in 2014, 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 21.7% from 2009 to 2014, and reached 47.2 million in 2014, accounted for 77.6% of total visitors to Hong Kong. In addition, retail contributed approximately 21.9% in GDP in 2014, compared to 16.6% in 2009. 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 over 10% year-on-year growth in total retail sales since 2009. It reached a market size of HK\$493.2 billion in 2014, representing a CAGR of 12.4% from 2009 to 2014. 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. Retail market size by revenue in Hong Kong in 2015 was HK\$475.2 billion, representing a negative growth of 3.6%. However, as the recovery initiatives on tourism and retail are in place, Hong Kong retail market has a prospect of recovery in the near future. It is estimated that the retail market will achieve HK\$522.3 billion in 2019, growing at a CAGR of 2.4% from 2015 to 2019.

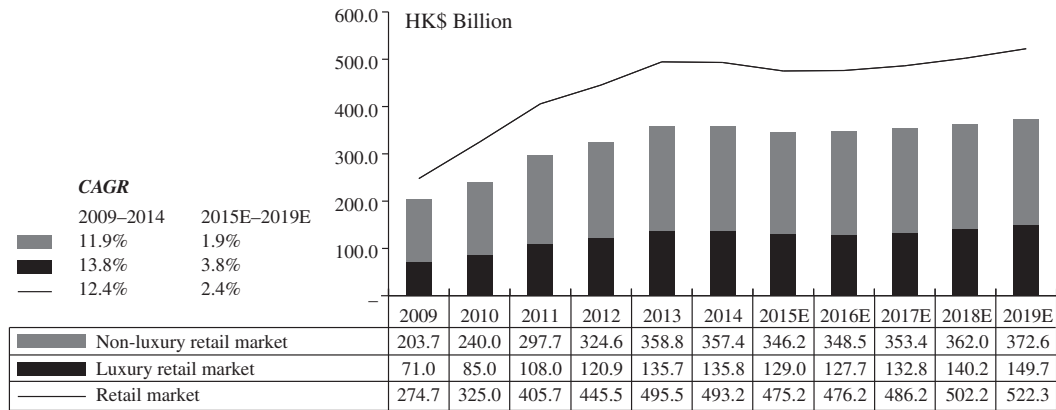
The luxury goods and high-end fashion retail segment in Hong Kong accounted for 6.0% of the global sales revenue in 2014, far higher than that in terms of overall retail sales. This indicated that Hong Kong is better known for its retail sales performance of global luxury goods and high-end fashion. It reached a sales revenue of HK\$135.8 billion in 2014, growing at a CAGR of 13.8% over the period

## INDUSTRY OVERVIEW

from 2009 to 2014. It contributed to 27.5% of revenue in the retail market in Hong Kong. In the future, this segment is expected to continue to grow at a higher rate compared to overall retail market and contribute to 28.7% of the total retail market revenue by 2019.

The chart below sets forth the Hong Kong retail market size by segment from 2009 to 2019:

**Hong Kong retail market size by segment, 2009–2019E**

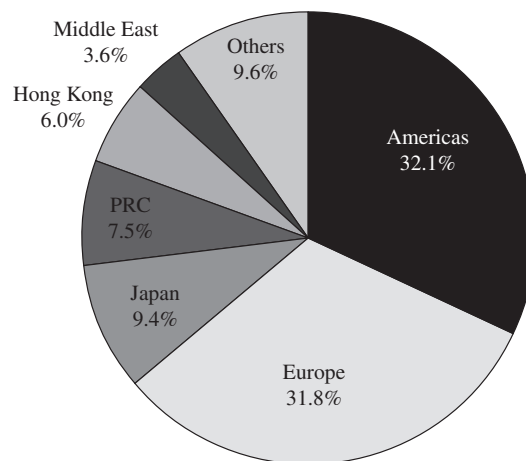


Source: Census and Statistics Department Hong Kong Special Administration Region, Frost & Sullivan

Globally, this market share was led by Americas and Europe, who took a combined share of 63.9% in 2014, followed by Japan, the PRC, Hong Kong and the Middle East, which contributed an aggregate high-end of 90.4% market share by revenue.

The chart below sets forth the global luxury goods and high-end fashion for retail by region in 2014:

**Global retail of global luxury goods and high-end fashion by region, in 2014**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

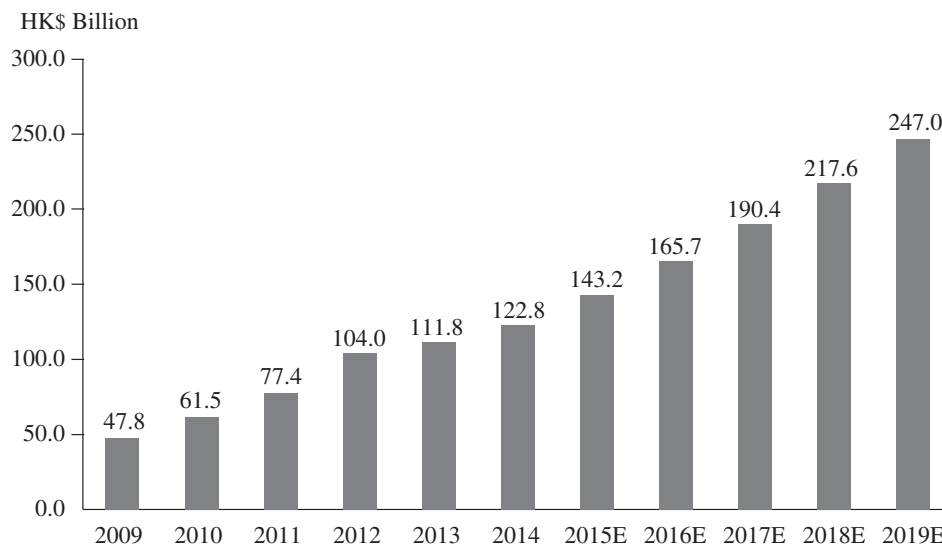
### CONSTRUCTION WORK IN HONG KONG

#### Overview

Construction work in Hong Kong experienced a vigorous growth since 2014. Gross value of construction work in Hong Kong reached HK\$122.8 billion in 2014, representing a CAGR of 20.8% from 2009 to 2014. In 2012 the year-on-year growth rate reached 34.4%, which was mainly attributed to the rising visitor influx from mainland China and booming construction of retail-oriented commercial projects, and then underwent a slump in 2013, marking a 7.5% growth and then 9.8% growth in 2014. In the future period, with the increasing attention to private sector of construction work commissioned by private developers, gross value of construction work in Hong Kong is expected to reach HK\$247.0 billion in 2019, growing at a CAGR of 14.6% from 2015 to 2019.

The chart below sets forth the gross value of construction work in Hong Kong from 2009 to 2019:

**Gross value of construction work in Hong Kong, 2009–2019E**



Source: Census and Statistics Department of the Hong Kong Special Administration Region, 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), decorative materials provision (such as millwork and furniture). It encompasses a wide range of sub-specialties such as applications in residential, commercial (including retail and office building), industrial and infrastructural housing facilities.

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

Category	Feature	Typical Application
Interior design for retail stores of global luxury goods and high-end fashion	<ul style="list-style-type: none"><li>● Shopping experience prioritized</li><li>● Unique and conceptual image</li><li>● High-class status</li><li>● One-to-one shopping guide</li><li>● Wide display and fitting space</li></ul>	<ul style="list-style-type: none"><li>● Luxury jewelry stores</li><li>● Luxury timepieces stores</li><li>● Luxury leather goods stores</li><li>● Luxury apparel and accessories stores</li></ul>
Interior design for stores of other retail goods	<ul style="list-style-type: none"><li>● Shopping targets prioritized</li><li>● Logo image</li><li>● Convenience</li><li>● Limited shopping guide</li><li>● Limited display and fitting space</li></ul>	<ul style="list-style-type: none"><li>● Retail stores of other than global luxury goods and high-end fashion</li></ul>

#### Market Size

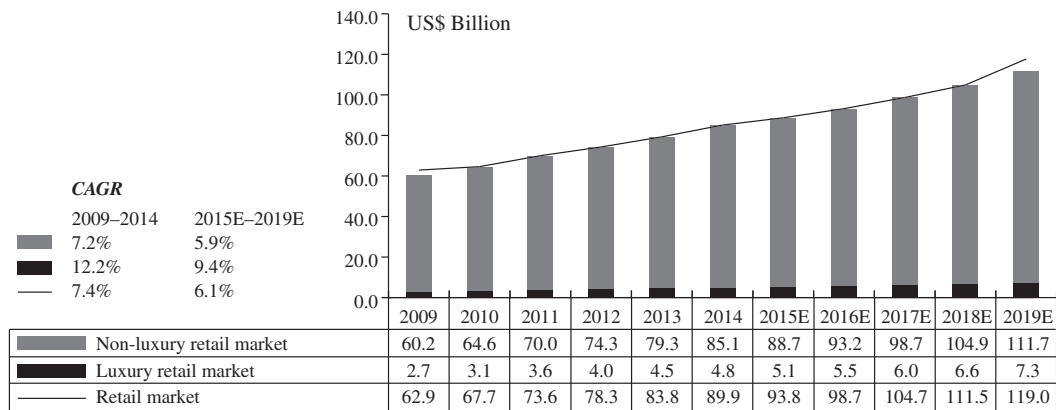
##### *Global market*

With the stable growth of global retail market, interior design serving global retail market has been growing at a CAGR of 7.4% from 2009 to 2014 reaching US\$89.9 billion in 2014. This market is expected to maintain its stable growth and will reach US\$119.0 billion in 2019. The segment of interior design for global retail of global luxury goods and high-end fashion brands took a share of 5.3% in the interior design industry in 2014, reaching US\$4.8 billion, and saw an increasing trend in terms of the proportion.

## INDUSTRY OVERVIEW

The chart below sets forth the interior design for global retail market by segment from 2009 to 2019:

**Interior design for global retail market by segment, 2009–2019E**



Source: Frost & Sullivan

### **Hong Kong market**

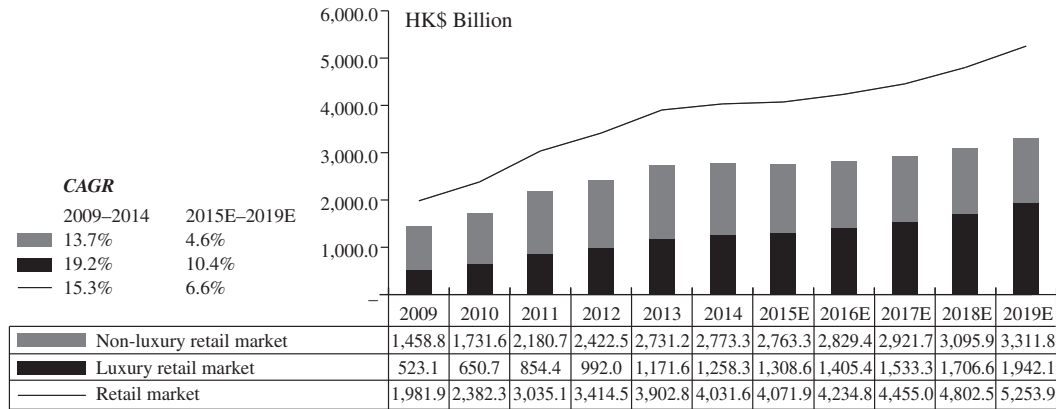
Attributed to the prosperous growth of retail market, interior design for overall retail market in Hong Kong reached HK\$4,031.6 million in 2014, increasing at a CAGR of 15.3% over the period from 2009 to 2014. Affected by the slowdown of retail market in 2014 and 2015, the interior design for retail market in Hong Kong is expected to receive the influence as well in these two years, but will maintain stable growth after 2015. The future CAGR from 2015 to 2019 would arrive at 6.6%.

In relation to the segment of global luxury goods and high-end fashion within the global retail market, the interior design segment tailored to the global luxury goods and high-end fashion contributed to 31.2% of the interior design industry in 2014 and reached a market size of HK\$1,258.3 million, growing at a CAGR of 19.2% from 2009 to 2014. 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 2014 and 2015 and then embracing stable future growth at a CAGR of 10.4% over the period from 2015 to 2019.

## INDUSTRY OVERVIEW

The chart below sets forth the interior design for Hong Kong retail market by segment from 2009 to 2019:

**Interior design for Hong Kong retail market by segment, 2009–2019E**

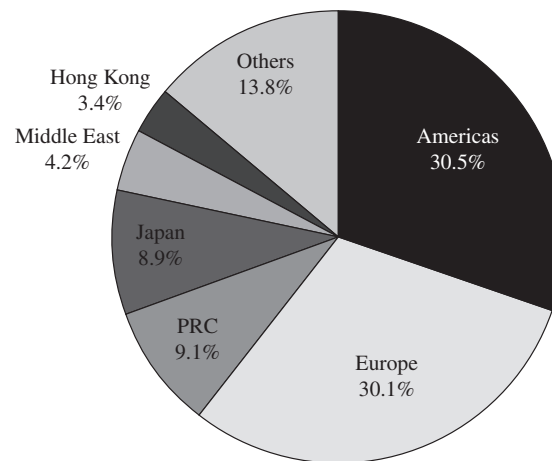


Source: Frost & Sullivan

This segment in Hong Kong accounted for 3.4% of its global sales revenue in 2014. Dominated by the Americas and Europe, with an aggregate of 60.6% market share, this market showed a consolidated landscape. Other leading territories include the PRC, Japan and the Middle East.

The chart below sets forth the interior design for global retail of global luxury goods and high-end fashion by region in 2014:

**Interior design for global retail of global luxury goods and high-end fashion by region in 2014**



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Growth Drivers and Market Trends

The rapid growth of the interior design industry for retail of luxury goods and high-end fashion market in Hong Kong derived from demand and supply factors as follows:

**Economic recovery and rising purchasing power.** Given the export-oriented economic natures, international image and duty-free advantages of Hong Kong, visitor 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 series of initiatives. National economic development in mainland China would drive this market, not only in Hong Kong, but also the overseas market with outbound travel for consumption of luxury goods and high-end fashion. This indicates 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 realized at a complex of shopping environment and friendly guiding service. Retail of luxury goods and high-end fashion has a best-fit position in the correlation, catering well to the high-end consumers. Therefore, it drives the interior design market for these retail stores.

**International exposure of luxury goods brands.** Luxury brands commonly posed strategic deployment for store locations globally, which aim for absorbing the revenue inflow in a wider range and also reducing the diverse risks of local economic downturn and lack of consumption incentives. Currently, Hong Kong is undergoing sluggish retail sales due to falling consumer demand from mainland China, but they tend to utilize its strategic deployment to relocate stores to areas where they have competitive advantages. Furthermore, prestigious luxury goods brand owners usually launch new brand series in Hong Kong for trials, which relies on both mature luxury environment and huge consumer influx in Hong Kong. This premium shopping experience is realized at a complex of shopping environment and friendly guiding service. Retail of luxury goods and high-end fashion has a best-fit position in the correlation, catering well to the high-end consumers. Therefore, it drives the interior design market for these retail stores. Interior design companies are not usually affected by economic downturn as a whole.

**New business strategies for luxury goods 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, which leads to some other luxury goods brands' following. Louis Vuitton refurbish its storefront to launch cafe parlor adjacent to its retail store at an attempt to extend the consumers' time spent at its store. This brings about opportunities for refurbishment for interior design companies which focus on this segment.

**Endeavor in occupancy of mark shares.** Given the truth that global luxury goods brands place a strong emphasis to the Hong Kong market, interior design companies which focus on this segment have the potential to gain greater market share. In order to refresh 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 conduct regular renovation in brand concept every two to three years, which leads to stable refurbishment 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.** Beside the conventional interior design service, current interior design companies are evolving to provide integrated service including millwork and furniture, fit-out construction, facade decoration and refurbishment. They are growing to become an one-stop interior design solutions provider.

**Business diversification.** In response to the diminishing demand from luxury goods brands, some interior design companies with particular attention to this segment branched out to new client types, such as office building and high-end residential construction.

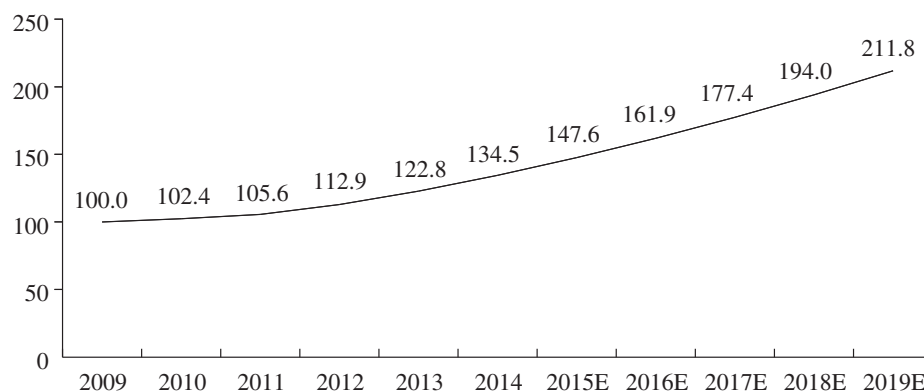
**Ahead of schedule in research and development.** Similar to technology companies, which devote resources to research and development, interior companies have also been investing in recruiting talents to work with existing clients closely for conceptual realization and proposal on new store layouts. This has become one of the key trends that companies engaged to succeed in the competition.

### COST FACTORS

It is observed that the average wage of workers in the interior design market for retail of luxury goods and high-end fashion has been on upward trend, which is mainly attributed to the labor shortage in this industry, while the demand has been increasing robustly. It is estimated that this trend would keep going. 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 be an obvious 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 2009 to 2019:

**Price index of average wage of workers in the interior design market for retail of global prestigious luxury jewelry and fashion goods in Hong Kong, 2009–2019E**



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

## INDUSTRY OVERVIEW

### Competitive Landscape of the Interior Design Market

#### *Overview*

There are over 350 companies in the interior design market for luxury goods and high-end fashion in Hong Kong, 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. Interior design companies targeting the luxury goods and high-end fashion market in Hong Kong and globally are highly fragmented.

Top five Hong Kong-based interior design companies contributed to no more than 1.0% in aggregate for the luxury goods and high-end fashion brands globally in 2014. The table below sets forth the market shares in terms of revenue of the leading Hong Kong-based companies in the interior design market for the luxury goods and high-end fashion brands globally in 2014:

<b>Company Names</b>	<b>Market Shares, 2014</b>	<b>Business Description</b>
Our Group	0.31%	A Hong Kong based company with main business in one-stop interior design solutions for global luxury goods and high-end fashion brands
Company A	0.28%	A Hong Kong based company with main business in interior design service for retail, hotels and office buildings
Company B	0.19%	A Hong Kong based company with main business in interior design service for office buildings, hotels, residence and retail
Company C	0.12%	A Hong Kong based company with main business in design service for commercial and residential facade construction work
Company D	0.06%	A Hong Kong based company with main business in interior design service for global prestigious luxury brands

*Source: Frost & Sullivan*

## INDUSTRY OVERVIEW

Top five global companies took a combined share of 19.4% in the interior design market for retail of luxury goods and high-end fashion in Hong Kong in 2014. The table below sets forth the market shares in terms of revenue of leading global companies in the interior design market for retail of luxury goods and high-end fashion brands in Hong Kong in 2014:

<b>Company Names</b>	<b>Market Shares, 2014</b>	<b>Business Description</b>
Company A	5.7%	A Hong Kong based company with main business in interior design service for retail, hotels and office buildings
Our Group	4.2%	A Hong Kong based company with main business in one-stop interior design solutions for global prestigious luxury brands
Company E	3.6%	A Singapore based company with main business in retail, office buildings, exhibitions and museums
Company B	3.3%	A Hong Kong based company with main business in interior design service for office buildings, hotels, residence and retail
Company F	2.6%	A Singapore based company with main business in provision of decorative materials and design service for residential and commercial properties, including retail

*Source: Frost & Sullivan*

### *Entry Barriers*

Barriers to entry interior design market with total design solutions for luxury goods and high-end fashion brands are high. Design capability, industry experience, business relationship and reputation comprise the main barriers for new market entrants.

**Extensive design capability.** Extensive research and development capability enables a design company to realize conceptual and complicated design ideas, which are usually the requirements from the high-end clients. Design companies that are capable of providing integrated service like millwork and furnishing, fitting-out and facade decoration have better reinforce both the design and management over the process. Thus, business mindsets are expected to be cultivated and polished to serve the clients in a wide scope, which is essential to accomplish good design works in this industry.

**Creditable quality of service.** Given the positioning of luxury goods and high-end fashion market, their stores appeal to present delicate and decent image to consumers. The decorative materials for adoption in their store should be environment-friendly. Therefore, it is required to ensure the quality of the service, including fit-out construction, fabrication of facade, showcases, millwork, furniture, etc.. Usually these brand owners have nominated interior design solutions vendors, who have been authorized to be within the list of their qualified vendors and have credentials in ensuring the quality of service.

## INDUSTRY OVERVIEW

**Rich industry experience.** Usually a design concept is abstract and unquantifiable. Potential customers tend to approach design companies that have rich portfolio in this industry. Comprehensive industry experience could also facilitate the design flow in both design and management aspect, such as the capability to coordinate with various parties in a project efficiently.

**Business relationship and reputation.** It is crucial to develop good business relationships with various parties, including customer relationship and other parties involved in the whole process. Strong client relationships can ensure stable project sources. Landlords of retail properties tend to recommend interior design companies that have good reputation. Also, most of the interior design companies specialize in particular area such as design, furnishing or facade decoration. Therefore, they might collaborate with their competitors in larger projects. So reputation is the key within the industry.

## REGULATORY OVERVIEW

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).

#### 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

## REGULATORY OVERVIEW

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.

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

## **REGULATORY OVERVIEW**

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) 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.

## REGULATORY OVERVIEW

### 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.

### 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);



## REGULATORY OVERVIEW

- 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 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.

## REGULATORY OVERVIEW

### 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%.

### **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.

## REGULATORY OVERVIEW

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.

#### 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

## REGULATORY OVERVIEW

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.

### **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.

## REGULATORY OVERVIEW

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.

## 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

Set forth below is a chronological review of the key business milestones of our Group:

<b>Date</b>	<b>Milestones</b>
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
2005	We collaborated with a French-based high-end jeweller and undertook work in the Middle East and Europe

## HISTORY AND REORGANIZATION

### Date Milestones

- 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 Client G 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 Client L, 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]

### 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.

## HISTORY AND REORGANIZATION

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, which was based on the par value of the shares of Crosstec Group. The consideration was settled in cash on the same date. 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.

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.



## HISTORY AND REORGANIZATION

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.

### **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.

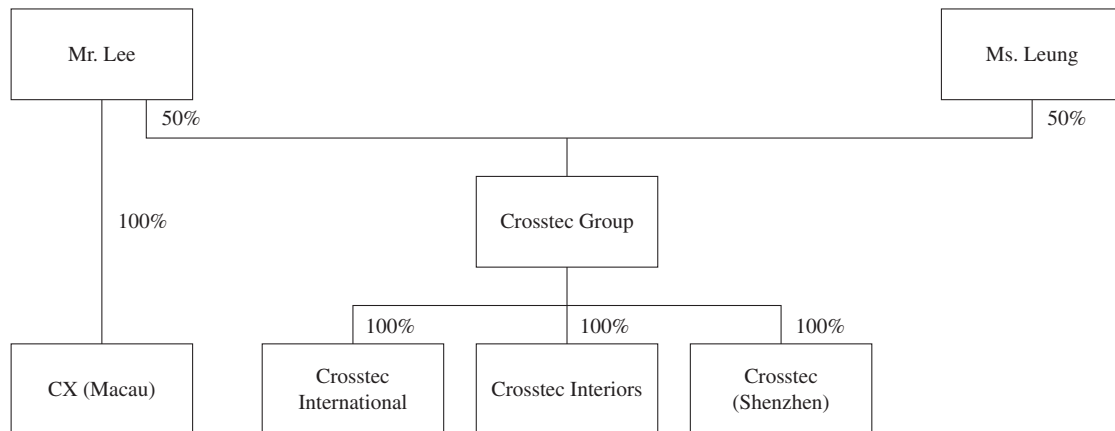
Save as disclosed otherwise, the aforementioned considerations were determined on an arm's length basis with reference to the registered capital and the book value of the net worth of the relevant companies. All the aforementioned transactions have been properly and legally completed and settled.

### **REORGANIZATION**

Our Company completed the Reorganization on January 29, 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.

## HISTORY AND REORGANIZATION

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



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

On January 29, 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.

### (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.

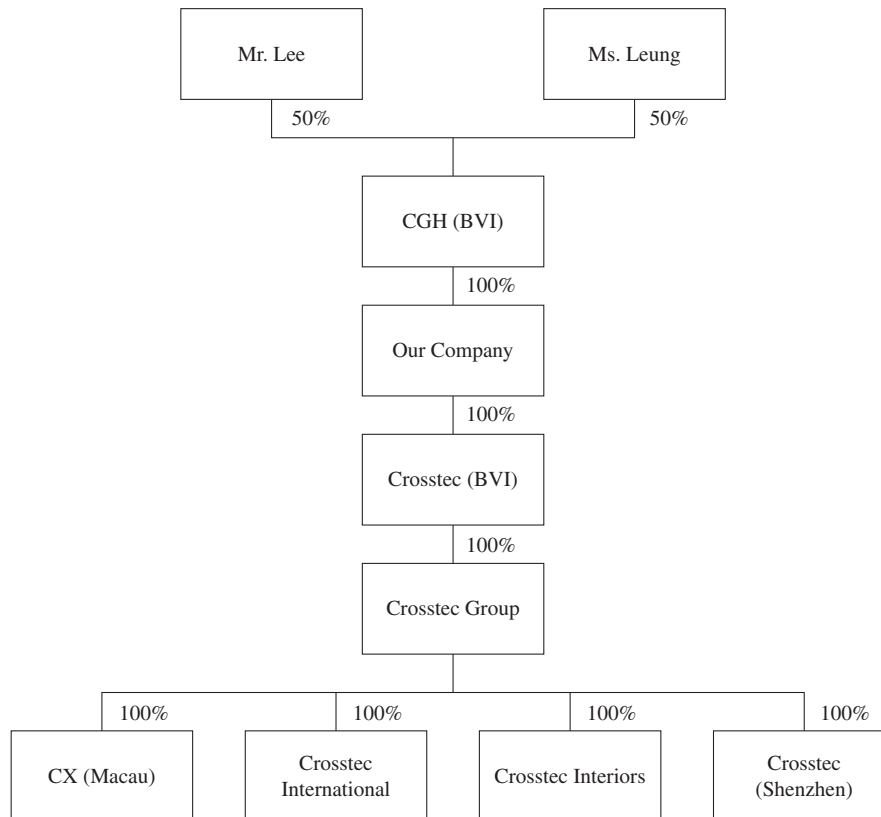
## HISTORY AND REORGANIZATION

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

On March 22, 2016, our Company acquired the total issued share capital of Crosstec (BVI) for a consideration 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.

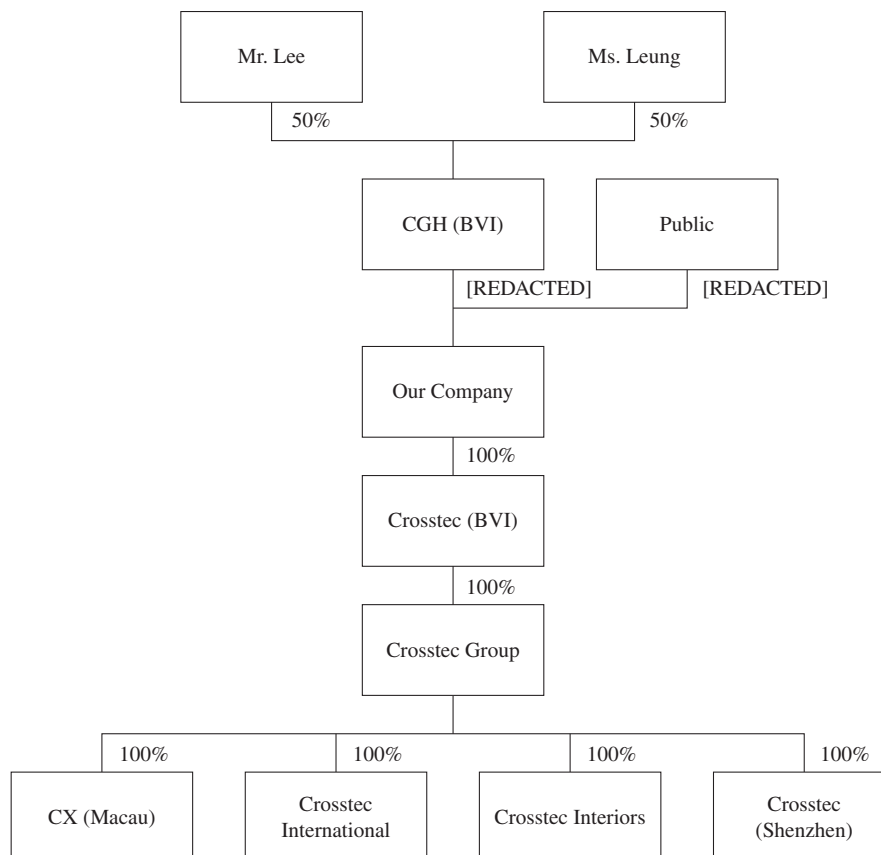
Save as disclosed otherwise, the aforementioned considerations were determined on an arm's length basis with reference to the issued share capital and the book value of the net worth of the relevant companies. All the aforementioned transactions have been properly and legally completed and settled.

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 one-stop interior design solutions for global luxury goods and high-end fashion brands. According to the Frost & Sullivan Report, we are the largest Hong Kong-based luxury retail interior designer in terms of revenue in 2014. 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.

Our revenues for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 were HK\$123.8 million, HK\$113.8 million, HK\$130.6 million and HK\$59.8 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 six months ended December 31, 2015 were HK\$33.4 million, HK\$37.0 million, HK\$44.2 million and HK\$20.4 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 657 projects and the breakdown according to geographic locations of our client is as follows:

	Year ended June 30,			Six months ended
	2013	2014	2015	December 31, 2015
<b>Asia</b>				
— Hong Kong	117	131	100	52
— China	—	5	1	2
— Others	49	24	22	17
	<u>166</u>	<u>160</u>	<u>123</u>	<u>71</u>
Subtotal				
<b>Europe</b>	25	26	27	27
<b>Middle East</b>	1	2	—	—
<b>Americas</b>	4	15	6	4
	<u>4</u>	<u>15</u>	<u>6</u>	<u>4</u>
Total	<u><u>196</u></u>	<u><u>203</u></u>	<u><u>156</u></u>	<u><u>102</u></u>

## BUSINESS

As illustrated in the table below, during the Track Record Period, 60.9%, 16.0%, 17.0% and 4.4% of our completed projects were in Hong Kong, Europe, Asia (excluding Hong Kong and China), and Americas, respectively.

	Year ended June 30,				Six months ended December 31					
	2013	% of	2014	% of	2015	% of	2014	% of	2015	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
<b>Asia</b>							(unaudited)			
— Hong Kong	81,917	66.2%	52,040	45.7%	66,753	51.1%	50,524	65.7%	14,494	24.2%
— China	6,517	5.3%	5,946	5.2%	4,933	3.8%	3,119	4.1%	5,021	8.4%
— Others	19,804	15.9%	17,577	15.5%	24,747	19.0%	7,678	9.9%	13,935	23.3%
<b>Subtotal</b>	<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>61,321</u>	<u>79.7%</u>	<u>33,450</u>	<u>55.9%</u>
<b>Europe</b>	10,709	8.7%	23,834	20.9%	31,137	23.8%	12,993	16.9%	21,443	35.9%
<b>Middle East</b>	519	0.4%	4,163	3.7%	—	0.0%	—	0.0%	—	0.0%
<b>Americas</b>	4,301	3.5%	10,238	9.0%	3,008	2.3%	2,620	3.4%	4,875	8.2%
<b>Total</b>	<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>76,934</u>	<u>100.0%</u>	<u>59,768</u>	<u>100.0%</u>

As at the Latest Practicable Date, we had a total of 25 projects on hand. The majority of these projects are engaged by clients located in the United States and Europe with a total contract sum of HK\$52.8 million.

### COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

#### **One-stop 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 one-stop service approach, we are able to provide seamless coordination among our design and creative team and project 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.

## **BUSINESS**

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, Client G, 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 benefit 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. 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 Client G 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 Client G and Client C since 2009, and have provided interior design service and products to their retail boutiques across the globe. As at the Latest Practicable Date, we have established business relationships with our five largest clients during the Track Record Period with an average of over five years.

## BUSINESS

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. 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 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 Client G 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.



## BUSINESS

### **Cost-effectiveness and synergy among our servicing teams**

Our one-stop 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 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 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 2019. Further, 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 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”.

## BUSINESS

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 one-stop 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 one-stop 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 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 six 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.

## BUSINESS

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 office 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. 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 one-stop 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.

**BUSINESS**

**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.

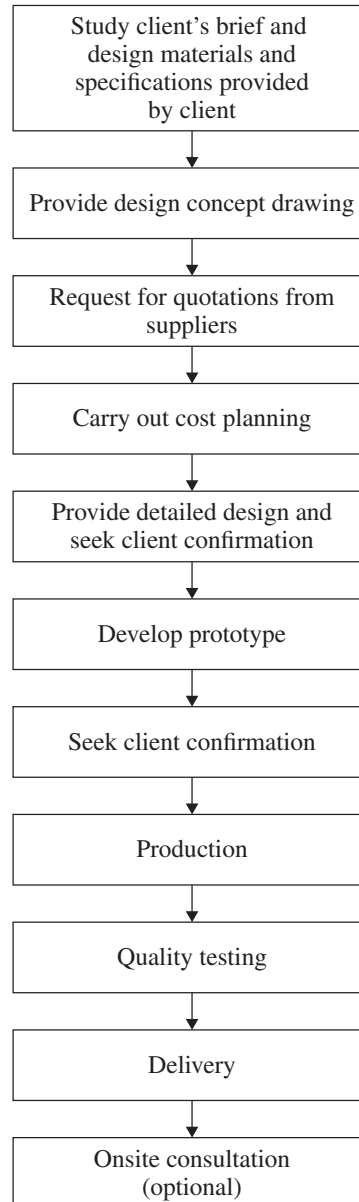
The below summarizes the services and products that we provide to our clients in respect of their shop locations during the Track Record Period:

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

## 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 to our local and overseas clients and does not include the provision of other services.

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

## BUSINESS

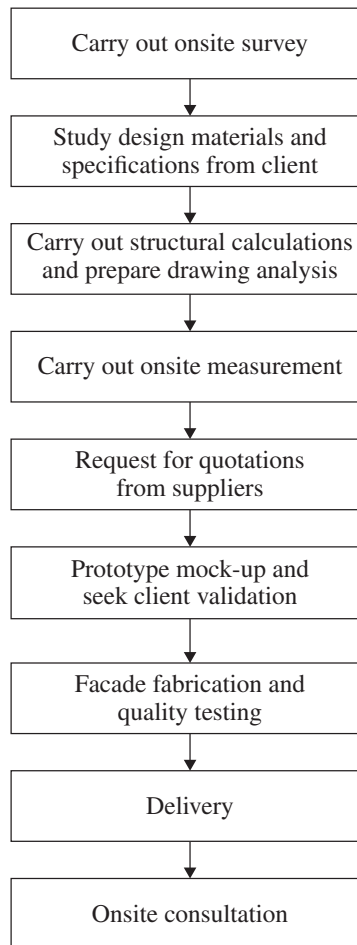
specifications. Thereafter, detailed carpentry design will be developed and mockup will be fabricated as prototype for testing and further modifications. Once we have our client's approval, we will commission our supplier to produce the millwork and furniture at our supplier's production facilities. 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 and the millwork and furniture will be installed by local workers separately engaged by our clients whilst under our team's supervision. 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

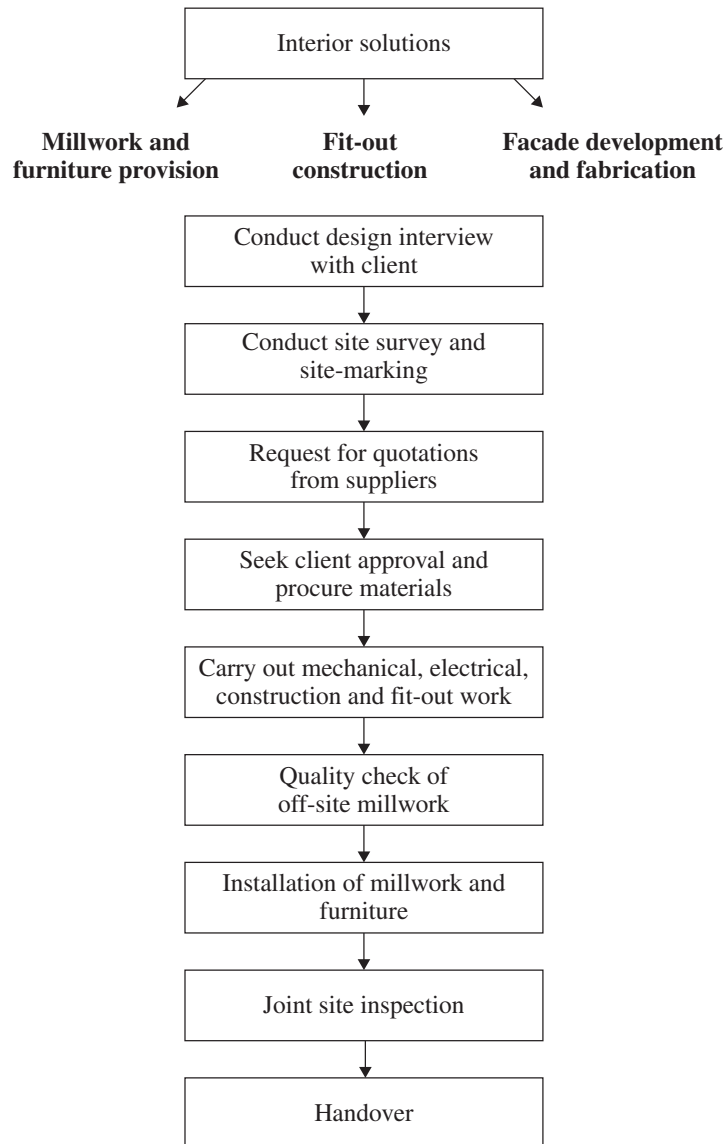


We currently only provide facade development and fabrication services for our overseas projects. A facade refers to the exterior or shopfront of a store. This segment relates solely to facade development and fabrication for our overseas projects.

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 together with our client and the facade will be installed by local workers whilst under our team’s supervision. 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.

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### Interior solutions



As a provider of bespoke one-stop interior design solutions, we are able to provide our clients in Hong Kong and other Asian countries, with integrated services to fit their needs. Such integrated 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 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

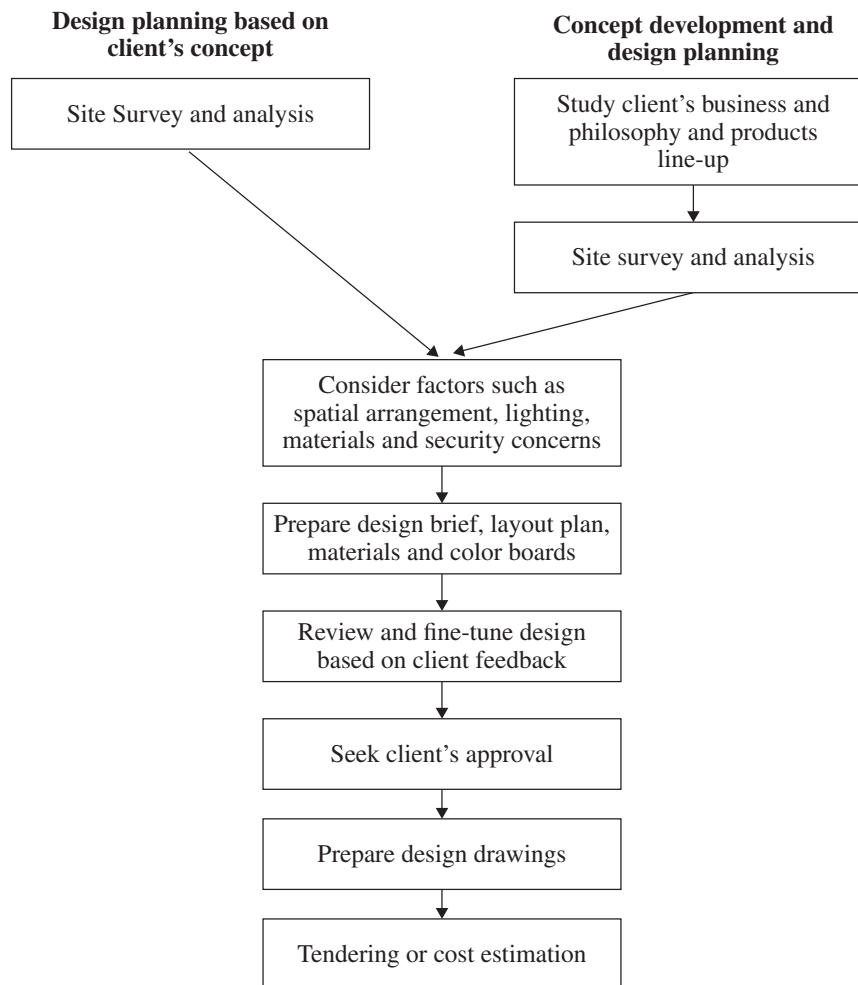


## BUSINESS

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 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



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.

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Once a project is awarded, we will set up a dedicated project 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 tendering 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 weeks. The below photographs showcase examples of design proposal that we provide to our clients:



## BUSINESS

### OUR GLOBAL PROJECTS

#### Our global footprint

During the Track Record Period and up to the Latest Practicable Date, we have completed projects in 65 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. We have established business relationships with our five largest clients during the Track Record Period, for an average of over five years. For the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015, revenue derived from our five largest clients amounted to approximately 73.6%, 72.1%, 77.9% and 84.8% respectively of the total revenue of our Group, whilst our largest client account for approximately 21.6%, 27.2%, 34.2% and 39.4% respectively of the total revenue of our Group for the same period.

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 engagements from our existing clients. The profiles of our major clients during the Track Record Period are set out as follows in no particular order:

#### Client G

Client G is a British-based multinational jewelry 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 Client G. In 2014, we developed a complete shopfront concept with Client G and subsequently installed multi-colored bronze shopfronts in all of their stores around the world. We have become the supplier 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 interior solutions.

#### 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 designs, manufactures and distributes 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 store in Hong Kong. During the Track Record Period, we have been engaged for millwork and furniture provision, facade development and fabrication and interior solutions.

#### 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, facade development and fabrication and interior solutions.

## BUSINESS

### Client R

Client R 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 to provide millwork and furniture.

### Client C

Client C is a French-based high-end jewelery 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 and interior solutions services.

### 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 2008 when we were engaged to provide interior solutions to their store at the Hong Kong International Airport. During the Track Record Period, we have been engaged for millwork and furniture provision and interior solutions services.

### Client B

Client B 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 interior solutions.

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

### 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.

### Pricing

We generally determine our service fees by adding a margin to the estimated time cost and cost of materials, also taking into account other factors including, amongst others, the size of the order, the extent of research and development involved, delivery schedule and project location.

### OUR SUPPLIERS AND SUB-CONTRACTORS

The principal materials that are used for our business operations include metal, glass, lighting and wooden furniture which accounted for approximately 63.4%, 70.4%, 72.4% and 74.9% of our total material costs in the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 respectively. Our largest supplier accounted for approximately 23.2%, 32.5%, 25.8% and 24.9% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 respectively. The purchases from our five largest suppliers accounted for approximately 46.3%, 55.0%, 49.3% and 42.6% of our total cost for the three years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 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.

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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 the 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.

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

<b>Rank</b>	<b>Supplier/sub-contractor</b>	<b>Purchase amount <i>HK\$'000</i></b>	<b>Percentage of total purchase amount</b>	<b>Product/service provide</b>	<b>Length of relationship</b>
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
	<b>Total</b>	<u><u>41,861</u></u>	<u><u>46.3%</u></u>		



**BUSINESS**

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

<b>Rank</b>	<b>Supplier/sub-contractor</b>	<b>Purchase amount <i>HK\$'000</i></b>	<b>Percentage of total purchase amount</b>	<b>Product/service provide</b>	<b>Length of relationship</b>
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>42,207</u>	<u>55.0%</u>		

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

<b>Rank</b>	<b>Supplier/sub-contractor</b>	<b>Purchase amount <i>HK\$'000</i></b>	<b>Percentage of total purchase amount</b>	<b>Product/service provide</b>	<b>Length of relationship</b>
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>42,563</u>	<u>49.3%</u>		

## BUSINESS

The details of our top five suppliers and sub-contractors for the six months ended December 31, 2015 is 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	9,802	24.9%	metal	over 8 years
2	Max Contracting	1,920	4.9%	wooden furniture	over 12 years
3	Supplier C	1,869	4.7%	lighting	6 years
4	Supplier P	1,823	4.6%	metal	over 2 years
5	Sub-contractor A	<u>1,370</u>	<u>3.5%</u>	fit-out	over 6 years
	Total	<u><u>16,784</u></u>	<u><u>42.6%</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.

### SALES AND MARKETING

As at the Latest Practicable Date, our business development team has a team of three 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

## BUSINESS

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.

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:

<b>Certification</b>	<b>Description</b>	<b>Since</b>	<b>Latest validity period</b>
ISO 9001	Certification for our quality management system in connection with the manufacturing and design of furniture	2004	August 18, 2013 to August 17, 2016
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 16, 2017

**BUSINESS**

**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, we have not experienced any warranty claims from our clients that had a material adverse impact on us.

**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 <sup>(2)</sup>
Millwork and furniture provision <sup>(1)</sup>	30%–60%	40%–70%	—	—
Facade development & fabrication <sup>(1)</sup>	40%–60%	30%–40%	0%–25%	5%
				<b>Completion of Rectification works/ Retention fee<sup>(2)</sup></b>
	Quotation confirmation	Progress payment <sup>(3)</sup>	Practical completion	Retention fee <sup>(2)</sup>
Interior solutions	40%–70%	20%–40%	10%–40%	5%–10%
			<b>Upon tendering of proposal</b>	<b>Retention fee<sup>(2)</sup></b>
	Contract confirmation	Design confirmation		
Design and project consultancy	45%–50%	40%–50%	5%–10%	0%–5%

*Notes:*

- (1) The fees will have to be paid in full upfront for any additional order, or 50% upon quotation continuation 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 defect liability period, which generally lasts for three to twelve months.
- (3) Progress payment is paid at the halfway point of the project’s duration.

## BUSINESS

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.

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 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.

## BUSINESS

### 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. Crossmax International Limited is the registrant of the license and is valid from June 9, 2015 through to June 25, 2018.

### 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. 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 innovative designs. We believe our excellent reputation, market knowledge and ability to provide one-stop 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 <sup>(1)</sup>
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 <sup>(2)</sup> HK\$77,840 <sup>(3)</sup>
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) <sup>(5)</sup>	Office	47.35 m <sup>2</sup>	From August 1, 2015 to July 31, 2017	RMB1,657 <sup>(4)</sup>

## BUSINESS

*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).
- (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 Jingtian & Gongcheng, 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 Jingtian & Gongcheng, 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 24 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 resource and administration	2
Accounting and finance	2
Design and creative team	6
Business development	2
Project consultancy	<u>8</u>
Total	<u><u>24</u></u>

## 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.

## BUSINESS

### 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 IV to the document. We currently do not hold any other intellectual property rights.

### 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 six months ended December 31, 2015 respectively.

As advised by DLA Piper, 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



## BUSINESS

- (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 limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. In addition, we have no present intention to undertake any future business that would cause us, the [REDACTED], [REDACTED], [REDACTED] or our Shareholders to violate or become a target of sanctions laws of the U.S., the EU, the United Nations or Australia. 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 investors 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:

- 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;

## BUSINESS

- 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;
- 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.

## BUSINESS

### 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.

### 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.

Apart from our Company, Mr. Lee and Ms. Leung controls 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 held by our Controlling Shareholders during the Track Record Period and up to the Latest Practicable Date:

	<b>Name</b>	<b>Place of incorporation</b>	<b>Principal business</b>	<b>Shareholding as at the Latest Practicable Date</b>
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	Hong Kong	Interior design; in the process of deregistration	50% by Mr. Lee and 50% by Ms. Leung
4	COL Concepts International Limited	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 since the incorporation of CX (Macau)	50% by Mr. Lee and 50% by independent third party

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.

As at January 31, 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 HK\$15,000,000. 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.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### 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 Mr. Lee has taken all practicable steps to avoid competition with our Group and that Mr. Lee will enter into a deed of non-competition with our Group. They are satisfied that Mr. Lee 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 2007. During 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”.

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 [●], 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 listed 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]. 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 [●] (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 and Max Furniture Framework Agreement*

**Background:** During the Track Record Period, our Group purchased a variety of woodwork from Max Contracting and Max Furniture. During the six months ended December 31, 2015, our Group also acquired furniture and fixture from Max Contracting for HK\$0.2 million and 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 (i) a framework agreement for our purchase of furniture, fixture and woodwork from Max Contracting on [●] (the "**Max Contracting Framework Agreement**"); and (ii) a framework agreement for our purchase of woodwork from and sale of unused materials to Max Furniture on [●] (the "**Max Furniture Framework Agreement**"), in order to govern relevant transactions after the [REDACTED].

**Material Terms:** The Max Contracting Framework Agreement and 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 Contracting Framework Agreement and 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:** Both the price for woodwork, furniture and fixture to be supplied to our Company under the Max Contracting Framework Agreement and Max Furniture Framework Agreement and the price for unused materials to be sold to Max Furniture 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.

## CONNECTED TRANSACTIONS

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

	For the year ended June 30,			For the six months ended
	2013	2014	2015	December 31, 2015
	<i>(in HK\$'000)</i>			
<b>Max Contracting</b>				
Purchase of woodwork	8,640	8,073	7,560	1,956
Acquisition of furniture and fixture	—	—	—	210
<b>Max Furniture</b>				
Purchase of woodwork	—	—	11	219
Sale of unused materials	—	—	—	863
<b>Total</b>	<b>8,640</b>	<b>8,073</b>	<b>7,571</b>	<b>3,248</b>

Aggregate total transaction amounts relating to woodwork supplied by Max Contracting and Max Furniture 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.

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

	For the year ending June 30		
2016	2017	2018	
	<i>(in HK\$'000)</i>		
8,000	11,000	15,000	

In arriving at the above annual caps, our Directors have considered (i) the historical transaction amount; (ii) our strategies to focus more on millwork and furniture provision; (iii) increase in demand for woodwork from our clients in Americas; (iv) market conditions and inflation rate for the relevant period; and (v) pricing policy under the Max Contracting Framework Agreement. 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.

The annual caps are shared between Max Contracting and Max Furniture because Max Furniture is a wholly-owned subsidiary of Max Contracting. We may sell unused materials to Max Furniture only when there are materials left unused from our production processes. Further, historical transaction amounts of the sale of unused materials to Max Furniture have been insignificant. As such, the Directors have considered that it would be unnecessary to provide separate annual caps for such sale of unused materials and it would be appropriate for the annual caps set out above to be shared between Max Contracting and Max Furniture for our purchase of furniture, fixture and woodwork and our sale of unused materials.

## CONNECTED TRANSACTIONS

**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 and Max Furniture 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].

### 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 transaction 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 Rules 14A.35 and 14A.36 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

### 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.

### USE OF PROCEEDS

We estimate that the net proceeds we will receive from the [REDACTED] (after deducting [REDACTED] 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:

- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for pursuing suitable acquisition and partnership opportunities;
- 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;
- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for financing the establishment of research and development center in Hong Kong;
- 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;
- approximately [REDACTED], representing approximately [REDACTED] of the net proceeds will be used for additional working capital and other general corporate purposes;
- 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.

## 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)	[49]	independent non-executive Director	supervising and providing independent judgment to our Board	[●]	[●]
Mr. Lau Lap Yan John (劉立人)	[54]	independent non-executive Director	supervising and providing independent judgment to our Board	[●]	[●]
Mr. Heng Ching Kuen, Franklin (幸正權)	[49]	independent non-executive Director	supervising and providing independent judgment to our Board	[●]	[●]

## 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 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 1995 and a registered interior designer and member of the Association of Registered Interior Designers of Ontario in Canada since September 1989.

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 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 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 University of Science and Technology in November 1996.



## DIRECTORS AND SENIOR MANAGEMENT

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 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 [49], 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 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

## DIRECTORS AND SENIOR MANAGEMENT

accountant of AIA Capital Corporation Limited. Before that, he served as the group accountant of Desh 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 [54], 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) since October 1992 and authorized person under section 3 of the Building Ordinance (Cap 123) 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 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.

## DIRECTORS AND SENIOR MANAGEMENT

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 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.

## DIRECTORS AND SENIOR MANAGEMENT

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, 2015. For his biographic details, please see the section headed “— Executive Directors”.

### BOARD COMMITTEES

#### Audit committee

The Company has established an audit committee on [●] with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the [REDACTED]. 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.

#### Remuneration committee

The Company has established a remuneration committee on [●] 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.

## DIRECTORS AND SENIOR MANAGEMENT

### Nomination committee

The Company has established a nomination committee on [●] 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 [●]. 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 six months ended December 31, 2015, 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\$1.5 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.

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 [●] 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 IV “Statutory and General Information — Further Information about Substantial Shareholders, Directors and Experts” to this document.

## DIRECTORS AND SENIOR MANAGEMENT

### 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 IV 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 IV 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 [●]” in Appendix IV 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 [REDACTED], or on any other [REDACTED] 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 IV 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 IV 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 III 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 [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.

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the [REDACTED] and the [REDACTED] <i>(Note 1)</i></b>	<b>Percentage of shareholding immediately following the completion of the [REDACTED] and the [REDACTED]</b>
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 IV 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 six months ended December 31, 2015 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 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 2014. 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 six months ended December 31, 2014 and 2015, we generated a revenue of HK\$76.9 million and HK\$59.8 million, respectively, representing a contraction of 22.3% primarily as a result of the decrease in revenue generated from interior solutions and our strategy to focus more on millwork and furniture provision. And also, revenue generated from two of our major millwork and furniture provision projects for the year ended June 30, 2016 will be recognized in the second half of the financial year rather than the six months ended December 31, 2015. For the same period, our net profits was HK\$17.4 million and HK\$8.8 million, respectively, representing a contraction of 49.5%. The contraction was primarily due to the decrease in revenue and the one-off [REDACTED] incurred for the six months ended December 31, 2015.

### 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 companies under the common control of the Controlling Shareholders and our Group is therefore regarded as a continuing entity resulting from the Reorganization. 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 combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared using the financial information of all the companies now comprising our Group from the date when each of them first became under common control of the Controlling Shareholders as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or establishment, or since the date when the companies first came under the common control of the Controlling Shareholder. The combined statement of financial position of our Group as of June 30, 2013, 2014, 2015 and December 31, 2015 have been prepared to present the assets and liabilities of the companies now comprising our Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of our Group were combined using the carrying value from the perspective of the Controlling Shareholders.

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. As at the Latest Practicable Date, we have established business relationships with our five largest clients during the Track Record Period for a period with an average of over five years. As a result of these stable relationships, we are able to receive recurring 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

## FINANCIAL INFORMATION

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.

### **Competition**

We are a provider of one-stop 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

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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, is 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 the following critical accounting policies involved the most significant estimates and judgments used in the preparation of our financial statements.

#### Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. For instance:

- revenue from millwork and furniture provision is recognized when the goods are delivered and the risks and rewards of ownership have passed to the client;
- revenue from facade development and fabrication is recognized when the goods are delivered and the risks and rewards of ownership have passed to the client;
- 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. 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 estimate total contract costs. For further details, please refer to Note 2.8 to the accountants’ report included in Appendix I to this document or the subsection headed “Financial Information — Critical Accounting Policies — Construction contracts” below; and
- revenue from design and project consultancy is recognized upon services rendered.

#### 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.

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When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognized 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 recognized only to the extent of costs incurred that are expected to be recoverable, and contract costs are recognized 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 recognized as an expense immediately.

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 clients.

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 clients.

## FINANCIAL INFORMATION

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth, for the periods indicated, our combined 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,				Six months ended December 31			
	2013	%	2014	%	2015	2014	%	2015
	HK\$'000	change	HK\$'000	change	HK\$'000	HK\$'000	change	HK\$'000
	(unaudited)							
<b>Revenue</b>	123,767	(8.1%)	113,798	14.7%	130,578	76,934	(22.3%)	59,768
Direct cost	<u>(90,400)</u>	<u>(15.1%)</u>	<u>(76,751)</u>	<u>12.5%</u>	<u>(86,376)</u>	<u>(50,354)</u>	<u>(21.8%)</u>	<u>(39,392)</u>
<b>Gross profit</b>	33,367	11.0%	37,047	19.3%	44,202	26,580	(23.3%)	20,376
Other income	3	0.0%	3	33.3%	4	1	100.0%	2
Other gains	—	—	306	(85.6%)	44	21	—	—
Administrative expenses [REDACTED]	<u>(12,523)</u>	<u>3.9%</u>	<u>(13,006)</u>	<u>20.1%</u>	<u>(15,615)</u>	<u>(5,724)</u>	<u>22.3%</u>	<u>(7,001)</u>
<b>Operating profit</b>	20,847	16.8%	24,350	17.6%	28,635	20,878	(49.9%)	10,467
Finance costs	<u>(7)</u>	<u>(28.6%)</u>	<u>(5)</u>	<u>(40.0%)</u>	<u>(3)</u>	<u>(2)</u>	<u>(100.0%)</u>	<u>—</u>
<b>Profit before income tax expense</b>	20,840	16.8%	24,345	17.6%	28,632	20,876	(49.9%)	10,467
Income tax expense	<u>(3,522)</u>	<u>18.2%</u>	<u>(4,164)</u>	<u>16.5%</u>	<u>(4,849)</u>	<u>(3,455)</u>	<u>(51.6%)</u>	<u>(1,673)</u>
<b>Profit for the year/period and attributable to owners of the Company</b>	17,318	16.5%	20,181	17.8%	23,783	17,421	(49.5%)	8,794
<b>Items that may be reclassified subsequently to profit or loss</b>								
Exchange differences on translating foreign operations	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
<b>Other comprehensive income for the year/period and attributable to owners of the Company, net of tax</b>	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
<b>Total comprehensive income for the year/period and attributable to owners of the Company</b>	<u>17,357</u>	<u>16.3%</u>	<u>20,181</u>	<u>17.8%</u>	<u>23,783</u>	<u>17,421</u>	<u>(49.9%)</u>	<u>8,735</u>

### Revenue

Our revenue was HK\$123.8 million, HK\$113.8 million, HK\$130.6 million, HK\$76.9 million and HK\$59.8 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 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 six months ended December 31, 2015 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. And also, revenue generated from two of our major millwork and furniture provision projects for the year ended June 30, 2016 is expected to be recognized in the second half of the financial year, which affected our revenue for the six months ended December 31, 2015.



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The following table set forth our revenue by region for the periods indicated:

	2013		Year ended June 30,				Six months ended December 31			
	HK\$'000	% of revenue	2014	% of revenue	2015	% of revenue	2014	% of revenue	2015	% of revenue
			HK\$'000		HK\$'000		HK\$'000		HK\$'000	
							(unaudited)			
<b>Asia</b>										
— Hong Kong	81,917	66.2%	52,040	45.7%	66,753	51.1%	50,524	65.7%	14,494	24.2%
— China	6,517	5.3%	5,946	5.2%	4,933	3.8%	3,119	4.1%	5,021	8.4%
— Others	19,804	15.9%	17,577	15.5%	24,747	19.0%	7,678	9.9%	13,935	23.3%
<b>Subtotal</b>	<b>108,238</b>	<b>87.4%</b>	<b>75,563</b>	<b>66.4%</b>	<b>96,433</b>	<b>73.9%</b>	<b>61,321</b>	<b>79.7%</b>	<b>33,450</b>	<b>55.9%</b>
<b>Europe</b>	10,709	8.7%	23,834	20.9%	31,137	23.8%	12,993	16.9%	21,443	35.9%
<b>Middle East</b>	519	0.4%	4,163	3.7%	—	0.0%	—	0.0%	—	0.0%
<b>Americas</b>	4,301	3.5%	10,238	9.0%	3,008	2.3%	2,620	3.4%	4,875	8.2%
<b>Total</b>	<b>123,767</b>	<b>100.0%</b>	<b>113,798</b>	<b>100.0%</b>	<b>130,578</b>	<b>100.0%</b>	<b>76,934</b>	<b>100.0%</b>	<b>59,768</b>	<b>100.0%</b>

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 six months ended December 31, 2015, we further expanded our business in Europe. We expect that revenue generated from Americas and Europe will continue grow in the near future.

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

	2013		Year ended June 30,				Six months ended December 31			
	HK\$'000	% of revenue	2014	% of revenue	2015	% of revenue	2014	% of revenue	2015	% of revenue
			HK\$'000		HK\$'000		HK\$'000		HK\$'000	
							(unaudited)			
Millwork and furniture provision	38,434	31.1%	64,726	56.9%	57,904	44.3%	32,370	42.1%	41,135	68.8%
Facade development and fabrication	16,153	13.1%	8,346	7.3%	6,823	5.2%	4,221	5.5%	5,729	9.6%
Interior solutions	69,145	55.8%	40,721	35.8%	64,752	49.7%	39,285	51.0%	12,862	21.5%
Design and project consultancy	35	0.0%	5	0.0%	1,099	0.8%	1,058	1.4%	42	0.1%
<b>Total</b>	<b>123,767</b>	<b>100.0%</b>	<b>113,798</b>	<b>100.0%</b>	<b>130,578</b>	<b>100.0%</b>	<b>76,934</b>	<b>100.0%</b>	<b>59,768</b>	<b>100.0%</b>

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.

### *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\$32.4 million and HK\$41.1 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively, which represent 31.1%, 56.9%, 44.3%, 42.1% and 68.8% 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.

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### *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\$4.2 million and HK\$5.7 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively, which represent 13.1%, 7.3%, 5.2%, 5.5% and 9.6% 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\$39.3 million and HK\$12.9 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively, which represent 55.8%, 35.8%, 49.7%, 51.0% and 21.5% 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\$1,058,000 and HK\$42,000 for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively, which represent 0.0%, 0.0%, 0.8%, 1.4% and 0.1% 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\$50.4 million and HK\$39.4 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively.

### **Gross profit and gross margin**

Our gross profit was HK\$33.4 million, HK\$37.0 million, HK\$44.2 million, HK\$26.6 million and HK\$20.4 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Our gross profit margin was 27.0%, 32.6%, 33.9%, 34.5% and 34.1% for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Our gross profit margin increased primarily due to our improvement of production methodology and our creative use of cost effective materials which lower our direct cost while there was an increase in our revenue.

### **Other income**

Our other income was HK\$3,000, HK\$3,000, HK\$4,000, HK\$1,000 and HK\$2,000 for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Other income consists of bank interest income and sundry income.

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### Other gains

Our other gains was nil, HK\$306,000, HK\$44,000, HK\$21,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. Other income consists of gain on disposal of property, plant and equipment and net exchange gain.

### Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, rental expenses, provision for bad and doubtful debt and traveling expenses. Our administrative expenses was HK\$12.5 million, HK\$13.0 million, HK\$15.6 million, HK\$5.7 million and HK\$7.0 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively. During the Track Record Period, our administrative expenses increased due to the increase of employees' compensation levels.

### [REDACTED]

The total expenses for [REDACTED] are estimated to be approximately [REDACTED], of which approximately [REDACTED] was recognized as [REDACTED] in our combined statements of comprehensive income during the six months ended December 31, 2015, and approximately [REDACTED] was capitalized as deferred expenses in our combined statement of financial position to be recognized as a deduction in equity. We expect to incur additional [REDACTED] of approximately [REDACTED] which will be recognized as [REDACTED] for the year ending June 30, 2016.

### 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\$20.9 million and HK\$10.5 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively.

### 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\$2,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 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:

	<b>Year ended June 30,</b>			<b>Six months ended</b>	
				<b>December 31,</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong profit tax — tax for the year	3,508	4,110	4,860	3,454	1,477
Current tax — overseas profit tax — tax for the year	2	2	4	1	217
Deferred tax expense (credit)	<u>12</u>	<u>52</u>	<u>(15)</u>	<u>—</u>	<u>(21)</u>
<b>Total</b>	<u><u>3,522</u></u>	<u><u>4,164</u></u>	<u><u>4,849</u></u>	<u><u>3,455</u></u>	<u><u>1,673</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. 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 six months ended December 31, 2015, our Macau subsidiary is subject to profit tax at the tax rate of 12%.

Our effective income tax rates for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 were 16.9%, 17.1%, 16.9%, 16.6% and 16.0% 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.

**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\$17.4 million and HK\$8.8 million for the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2014 and 2015 respectively.

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### REVIEW OF HISTORICAL RESULTS OF OPERATION

#### Comparison for the six months ended December 31, 2015 to the six months ended December 31, 2014

##### *Revenue*

Our revenue decreased from HK\$76.9 million for the six months ended December 31, 2014 to HK\$59.8 million for the six months ended December 31, 2015, representing a decrease of 22.3%. 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. And also, revenue generated from two of our major millwork and furniture provision projects for the year ended June 30, 2016 will be recognized in the second half of the financial year, which affected our revenue for the six months ended December 31, 2015.

##### *Millwork and furniture provision*

Our revenue from millwork and furniture provision increased from HK\$32.4 million for the six months ended December 31, 2014 to HK\$41.1 million for the six months ended December 31, 2015, representing an increase of 27.1%. 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.

##### *Facade development and fabrication*

Our revenue from facade development and fabrication increased from HK\$4.2 million for the six months ended December 31, 2014 to HK\$5.7 million for the six months ended December 31, 2015, representing an increase of 35.7%. 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 six months ended December 31, 2015.

##### *Interior solutions*

Our revenue from interior solutions decreased from HK\$39.3 million for the six months ended December 31, 2014 to HK\$12.9 million for the six months ended December 31, 2015, representing a decrease of 67.3%. 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 six months ended December 31, 2014 to HK\$42,000 for the six months ended December 31, 2015, representing a decrease of 96.0%. 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.

## FINANCIAL INFORMATION

### *Direct cost*

Our direct cost decreased from HK\$50.4 million for the six months ended December 31, 2014 to HK\$39.4 million for the six months ended December 31, 2015, representing a decrease of 21.8%. The decrease in our direct cost was primarily due to the decrease in our revenue for the six months ended December 31, 2015 compared to the six months ended December 31, 2014.

### *Gross profit and gross margin*

As a result of the foregoing, our gross profit decreased by 23.3% from HK\$26.6 million for the six months ended December 31, 2014 to HK\$20.4 million for the six months ended December 31, 2015. Our gross profit margin had been stable with 34.5% for the six months ended December 31, 2014 and 34.1% for the six months ended December 31, 2015.

### *Other income*

Our other income increased by 100% from HK\$1,000 for the six months ended December 31, 2014 to HK\$2,000 for the six months ended December 31, 2015 as a result of the increase in bank interest income.

### *Other gains*

Our other gains decreased from HK\$21,000 for the six months ended December 31, 2014 to nil for the six months ended December 31, 2015 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 22.3% from HK\$5.7 million for the six months ended December 31, 2014 to HK\$7.0 million for the six months ended December 31, 2015. The increase in administrative expenses was primarily due to the increase in employee benefit expenses by HK\$0.7 million and the number of employees increased from 19 to 27 (including four temporary employees).

### *[REDACTED]*

The [REDACTED] of our Company for the six months ended December 31, 2015 was [REDACTED], 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 49.9% from HK\$20.9 million for the six months ended December 31, 2014 to HK\$10.5 million for the six months ended December 31, 2015.

### *Finance costs*

Our finance costs decreased from HK\$2,000 for the six months ended December 31, 2014 to nil for the six months ended December 31, 2015 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.

## FINANCIAL INFORMATION

### *Income tax expenses*

Our income tax expenses decreased by 51.6% from HK\$3.5 million for the six months ended December 31, 2014 to HK\$1.7 million for the six months ended December 31, 2015. The decrease in income tax expenses was primarily due to the decrease in our profit before income tax.

### *Profit for the six months*

As a result of the foregoing, our profit for the year decreased by 49.5% from HK\$17.4 million for the six months ended December 31, 2014 to HK\$8.8 million for the six months ended December 31, 2015. Our net profit margin decreased from 22.6% for the six months ended December 31, 2014 to 14.7% for the six months ended December 31, 2015, primarily due to the [REDACTED] of [REDACTED] 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.

## FINANCIAL INFORMATION

### *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.

### *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.

### *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.

### *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.



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### *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 and the decrease in administrative expenses.

### **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.

#### *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.

## FINANCIAL INFORMATION

### *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 in for the year ended June 30, 2014 compared to the year ended June 30, 2013.

### *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.

### *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.

## FINANCIAL INFORMATION

### *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
		2013	2014	2015	December 31
	Notes	HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	538	1,068	561	1,065
		<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,065</u>
<b>Current assets</b>					
Amounts due from customers for contract work	14	1,493	542	—	—
Trade and other receivables	15	27,093	29,598	18,454	28,506
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	36,686
		<u>70,648</u>	<u>54,799</u>	<u>48,525</u>	<u>65,192</u>
<b>Total assets</b>		<u>71,186</u>	<u>55,867</u>	<u>49,086</u>	<u>66,257</u>
<b>Current liabilities</b>					
Amounts due to customers for contract work	14	2,960	289	—	—
Trade and other payables	18	54,698	42,146	29,344	43,151
Amount due to a director	16	—	—	3,699	15,066
Amount due to a related company	16	169	—	—	—
Obligation under finance leases	19	31	33	—	—
Current tax liabilities		3,754	7,600	6,535	1,818
		<u>61,612</u>	<u>50,068</u>	<u>39,578</u>	<u>60,035</u>
<b>Net current assets</b>		<u>9,036</u>	<u>4,731</u>	<u>8,947</u>	<u>5,157</u>
<b>Total assets less current liabilities</b>		<u>9,574</u>	<u>5,799</u>	<u>9,508</u>	<u>6,222</u>
<b>Non-current liabilities</b>					
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>
<b>Total liabilities</b>		<u>61,716</u>	<u>50,191</u>	<u>39,627</u>	<u>60,063</u>
<b>NET ASSETS</b>		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</u>
<b>Capital and Reserves</b>					
Share capital	21	100	125	125	125
Reserves	22	9,370	5,551	9,334	6,069
<b>TOTAL EQUITY</b>		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</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\$1.1 million as at June 30, 2013, 2014 and 2015 and December 31, 2015. 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 89.8% from HK\$0.6 million as at June 30, 2015 to HK\$1.1 million as at December 31, 2015 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	December 31
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of reporting periods:				
Contract costs incurred	16,491	11,886	—	—
Recognised profits less recognised losses	<u>5,195</u>	<u>2,573</u>	<u>—</u>	<u>—</u>
	21,686	14,459	—	—
Less: progress billings	<u>(23,153)</u>	<u>(14,206)</u>	<u>—</u>	<u>—</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 December 31, 2015. 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 December 31, 2015.

Our amounts due to customers to contract work was HK\$3.0 million, HK\$0.3 million, nil and nil as at June 30, 2013, 2014 and 2015 and December 31, 2015. Our amounts due to customers to contract work decreased by 90.2% from HK\$3.0 million as at June 30, 2013 to HK\$0.3 million as at June 30, 2014 primary due to the completion of interior solutions projects before June 30, 2015 and December 31, 2015.

### 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\$28.5 million as at June 30, 2013, 2014 and 2015 and December 31, 2015.

The following table sets forth the details of our trade and other receivables:

	As at June 30,		As at December 31	
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,073	14,331	9,956	16,139
Retention receivables	446	—	1,640	671
Other receivables	1,079	3,461	399	713
Prepayments	14,495	11,806	6,459	10,983
	27,093	29,598	18,454	28,506

### *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\$16.6 million as at June 30, 2013, 2014 and 2015 and December 31, 2015.

	As at June 30,		As at December 31	
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	11,073	14,331	9,956	16,139
Less: provision for impairment on trade receivables	—	—	—	—
	11,073	14,331	9,956	16,139

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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 62.1% from HK\$10.0 million as at June 30, 2015 to a normal level of HK\$16.1 million as at December 31, 2015 primary due to due to the 60 days credit period granted to our major client in Americas with an outstanding trade receivable of HK\$3.6 million as at December 31, 2015 and the completion of a project close to the end of the six 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 December 31	
	2013	2014	2015	2015
	<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	9,466
1 to 3 months	693	5,222	4,468	5,699
3 months to 6 months	321	915	388	293
More than 6 months but less than one year	2,330	2,490	—	538
More than one year	<u>2,017</u>	<u>1,959</u>	<u>454</u>	<u>143</u>
	<u><u>11,703</u></u>	<u><u>14,331</u></u>	<u><u>9,956</u></u>	<u><u>16,139</u></u>

The table below sets forth the movements in provision for impairment of trade receivables:

	As at June 30,		As at December 31	
	2013	2014	2015	2015
	<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

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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:

	<b>Year ended June 30,</b>		<b>Six months ended</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31, 2015</b>
Trade receivables turnover days <sup>(1)</sup>	36	41	34	40

*Note:*

1. 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 six months ended December 31, 2015 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 40 days for the six months ended December 31, 2015 because a 60 days credit period was granted to one of our new client.

***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\$0.7 million as at June 30, 2013, 2014 and 2015 and December 31, 2015. 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\$0.7 million as at June 30, 2013, 2014 and 2015 and December 31, 2015. As of Latest Practicable Date, such amount was fully settled.

***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\$11.0 million as at June 30, 2013, 2014 and 2015 and December 31, 2015. For the period ended December 31, 2015, there was prepayment of [REDACTED] of [REDACTED].



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**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	December 31
	HK\$'000	HK\$'000	HK\$'000	2015, HK\$'000
Amount due from a Director	6,339	750	—	—
Amount due from related companies	880	882	25	—
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 a Director was from Mr. Lee. The amount due from/to a Director and related parties are 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\$43.2 million as at June 30, 2013, 2014 and 2015 and December 31, 2015.

The following table sets forth the details of our trade and other payables:

	As at June 30,		As at	
	2013	2014	2015	December 31,
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Trade payables	20,089	16,808	13,445	20,274
Receipts in advance	29,862	20,674	11,403	16,140
Other payables and accruals	4,747	4,664	4,496	6,427
Deferred revenue arising from customer incentive programme	—	—	—	310
	<u>54,698</u>	<u>42,146</u>	<u>29,344</u>	<u>43,151</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\$20.3 million as at June 30, 2013, 2014 and 2015 and December 31, 2015.

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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 50.8% from HK\$13.4 million as at June 30, 2015 to HK\$20.3 million as at December 31, 2015. 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 December 31,	
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month	4,915	4,640	2,663	6,693
1 to 3 months	7,589	3,183	4,717	7,332
4 to 6 months	2,842	3,127	1,709	4,113
7 to 12 months	2,359	2,955	4,196	1,800
More than 1 year	<u>2,384</u>	<u>2,903</u>	<u>160</u>	<u>336</u>
	<u>20,089</u>	<u>16,808</u>	<u>13,445</u>	<u>20,274</u>

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended June 30,		Six months ended December 31,	
	2013	2014	2015	2015
Trade payables turnover days <sup>(1)</sup>	82	88	64	79

*Note:*

- 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.

For details of our trade and other payables, see note 18 to the accountants' report included in Appendix I to this document.

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**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:

	<b>Year ended June 30,</b>			<b>Six months ended</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31,</b>	<b>2015</b>
	<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	10,418	8,506
Net cash generated from/(used in)					
investing activities	(10,023)	(19,645)	(14,670)	1,716	(1,174)
Net cash used in financing					
activities	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(17)</u>	<u>—</u>
Net increase/(decrease) in cash					
and cash equivalents	23,952	(12,043)	7,851	12,117	7,332
Effect of exchange rate changes					
on cash and cash equivalents	(15)	227	(832)	42	(692)
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>35,186</u></u>	<u><u>36,686</u></u>

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### *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 six months ended December 31, 2015, we had net cash from operating activities of HK\$8.5 million. This amount represents profit for the six months before income tax of HK\$10.5 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK\$0.2 million, unrealized exchange loss of HK\$0.6 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the increase in trade and other payables of HK\$13.8 million, and (ii) offset by the increase in trade and other receivables of HK\$10.2 million.

For the year ended June 30, 2015, we had net cash from operating activities of HK\$22.6 million. This amount represents 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 represents 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.

For the year ended June 30, 2013, we had net cash from operating activities of HK\$34.0 million. This amount represents 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.

## FINANCIAL INFORMATION

### *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.

For the six months ended December 31, 2015, we had net cash outflow from investing activities of HK\$1.2 million, primarily attributable to purchases of property, plant and equipment of HK\$0.7 million in connection with fixture and fitting and office equipment of a newly leased office premise and advance to Director of HK\$0.5 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 six months ended December 31, 2015.

**FINANCIAL INFORMATION**

**NET CURRENT ASSETS AND LIABILITIES**

The following table sets forth our current assets and liabilities as of the dates indicated:

	<b>As at June 30,</b>			<b>As at</b>	<b>As at</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31,</b>	<b>January 31,</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>	<i>2016</i>
				<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
<b>Current assets</b>					
Amounts due from customers for					
contract work	1,493	542	—	—	—
Trade and other receivables	27,093	29,598	18,454	28,506	27,400
Amount due from a Director	6,339	750	—	—	—
Amounts due from related					
companies	880	882	25	—	—
Pledged deposit	—	—	—	—	15,000
Cash and cash equivalents	<u>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>36,686</u>	<u>14,349</u>
<b>Total current assets</b>	<u><u>70,648</u></u>	<u><u>54,799</u></u>	<u><u>48,525</u></u>	<u><u>65,192</u></u>	<u><u>56,749</u></u>
<b>Current liabilities</b>					
Amounts due to customers for					
contract work	2,960	289	—	—	—
Trade and other payables	54,698	42,146	29,344	43,151	37,604
Amount due to a director	—	—	3,699	15,066	14,940
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>1,818</u>	<u>1,818</u>
<b>Total current liabilities</b>	<u><u>61,612</u></u>	<u><u>50,068</u></u>	<u><u>39,578</u></u>	<u><u>60,035</u></u>	<u><u>54,362</u></u>
<b>Net current assets</b>	<u><u>9,036</u></u>	<u><u>4,731</u></u>	<u><u>8,947</u></u>	<u><u>5,157</u></u>	<u><u>2,387</u></u>

As at January 31, 2016, we had net current assets of HK\$2.4 million compared to net current assets of HK\$5.2 million as at December 31, 2015, primary due to bonus payment and settlement of trade and other payables.

As at December 31, 2015, we had net current assets of HK\$5.2 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\$10.1 million and the increase in cash and cash equivalents of HK\$6.6 million.

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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:

	<b>As at June 30,</b>		<b>As at</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>December 31,</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2015</i>
				<i>HK\$'000</i>
Not later than one year	123	832	903	1,627
Later than one year and not later than five years	—	1,038	373	3,192
	<u>123</u>	<u>1,870</u>	<u>1,276</u>	<u>4,819</u>

### INDEBTEDNESS

As at January 31, 2016, being the latest practicable date for the purpose of the indebtedness statement, we had outstanding indebtedness of HK\$14.9 million consisting of amount due to a director. There were no material covenants relating to the indebtedness of our Group as of January 31, 2016.

As at January 31, 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 HK\$15,000,000. 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].

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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 January 31, 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 January 31, 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 proceed 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.

### MAJOR FINANCIAL RATIOS

	As at June 30,		As at December 31,	
	2013	2014	2015	2015
	%	%	%	%
<b>Profitability ratios</b>				
Gross profit margin <sup>(1)</sup>	27.0	32.6	33.9	34.1
Net profit margin <sup>(2)</sup>	14.0	17.7	18.2	14.7
Return of equity <sup>(3)</sup>	182.9	355.5	251.4	284.0
Return of total assets <sup>(4)</sup>	24.3	36.1	48.5	26.5



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	As at June 30,		As at December 31,	
	2013	2014	2015	2015
	<i>times</i>	<i>times</i>	<i>times</i>	<i>times</i>
<b>Liquidity ratios</b>				
Current ratio <sup>(5)</sup>	1.1	1.1	1.2	1.1
Quick ratio <sup>(6)</sup>	1.1	1.1	1.2	1.1
<b>Capital adequacy ratios</b>				
Gearing ratio <sup>(7)</sup>	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.

**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 284.0% for the six months ended December 31, 2015 primarily due to the decrease in our net profit.

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### 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 equity decreased from 48.5% for the year ended June 30, 2015 to 26.5% for the six months ended December 31, 2015 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 INSTRUMENT

As at the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

## FINANCIAL INFORMATION

### 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].

### 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 POLICY

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 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 six months ended December 31, 2015, 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.

### DISTRIBUTABLE RESERVES

As at December 31, 2015, our Company had no distributable reserves.

### RECENT DEVELOPMENT

On January 19, 2016, Hang Seng Bank agreed to grant us a revolving loan facility of HK\$20 million, subject to review at any time and in any event by January 31, 2017.

### MATERIAL ADVERSE CHANGE SUBSEQUENT TO DECEMBER 31, 2015

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 December 31, 2015, being the end of the period reported on in the accountants' report in Appendix I to this document.

## UNDERWRITING

### UNDERWRITERS

[REDACTED]

### Grounds for termination

**UNDERWRITING**

[REDACTED]

## UNDERWRITING

### Undertakings

[REDACTED]

**UNDERWRITING**

[REDACTED]

**UNDERWRITING**

[REDACTED]



## UNDERWRITING

[REDACTED]

### **Underwriters' interests in the Company**

Save for the obligations and the interests under the [REDACTED] as disclosed above, none of the Underwriters is interested legally or beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

## UNDERWRITING

### **Sole Sponsor's independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsor as regulated under Rule 3A.07 of the [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]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED]**

[REDACTED]

**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.*



**BDO Limited**  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong  
Telephone: (852) 2541 5041  
Telefax: (852) 2815 2239

[●] 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 combined statements of financial position of the Group as at June 30, 2013, 2014 and 2015 and December 31, 2015 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 (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 combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the six months ended December 31, 2014 (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 [●] 2016 (the “Document”) in connection with the [REDACTED] of the shares of the Company on the [REDACTED] of [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 [●] (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\$100,000 divided into 100,000 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 and furniture and provision of interior design, fitting out and facade construction 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 (“宏經麟貿易深圳有限公司”) (“Crossmax (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 25,000 shares of MOP1 each	Trading of millwork and furniture and provision of interior design, fitting out and facade construction 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 combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of presentation set out in Note 1 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 and in accordance with the basis of presentation set out in Note 1 of Section II below.

### **DIRECTORS’ RESPONSIBILITY**

The directors of the Company are responsible for the contents of the Document including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in Note 1 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 of the Company 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 (“HKSA”) 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 “Document and the Reporting Accountant” issued by the HKICPA.

### **OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in Note 1 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 combined financial position of the Group as at June 30, 2013, 2014 and 2015 and December 31, 2015 and of the combined financial performance and combined 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 basis of presentation set out in Note 1 of Section II below and 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 basis of presentation set out in Note 1 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 HKSA’s and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 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. COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Notes</i>	Year ended June 30			Six months ended December 31	
		2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
					(Unaudited)	
<b>Revenue</b>	5	123,767	113,798	130,578	76,934	59,768
Direct cost		<u>(90,400)</u>	<u>(76,751)</u>	<u>(86,376)</u>	<u>(50,354)</u>	<u>(39,392)</u>
<b>Gross profit</b>		33,367	37,047	44,202	26,580	20,376
Other income	5	3	3	4	1	2
Other gains	5	—	306	44	21	—
Administrative expenses [REDACTED]		<u>(12,523)</u>	<u>(13,006)</u>	<u>(15,615)</u>	<u>(5,724)</u>	<u>(7,001)</u>
		—	—	—	—	(2,910)
<b>Operating profit</b>	6	20,847	24,350	28,635	20,878	10,467
Finance costs	8	<u>(7)</u>	<u>(5)</u>	<u>(3)</u>	<u>(2)</u>	<u>—</u>
<b>Profit before income tax expense</b>		20,840	24,345	28,632	20,876	10,467
Income tax expense	10	<u>(3,522)</u>	<u>(4,164)</u>	<u>(4,849)</u>	<u>(3,455)</u>	<u>(1,673)</u>
<b>Profit for the year/period and attributable to owners of the Company</b>		17,318	20,181	23,783	17,421	8,794
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translating foreign operations		<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
<b>Other comprehensive income for the year/period and attributable to owners of the Company, net of tax</b>		<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(59)</u>
<b>Total comprehensive income for the year/period and attributable to owners of the Company</b>		<u>17,357</u>	<u>20,181</u>	<u>23,783</u>	<u>17,421</u>	<u>8,735</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**2. COMBINED STATEMENTS OF FINANCIAL POSITION**

		As at June 30			As at December 31
	Notes	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	538	1,068	561	1,065
		<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,065</u>
<b>Current assets</b>					
Amounts due from customers for contract work	14	1,493	542	—	—
Trade and other receivables	15	27,093	29,598	18,454	28,506
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	36,686
		<u>70,648</u>	<u>54,799</u>	<u>48,525</u>	<u>65,192</u>
<b>Total assets</b>		<u>71,186</u>	<u>55,867</u>	<u>49,086</u>	<u>66,257</u>
<b>Current liabilities</b>					
Amounts due to customers for contract work	14	2,960	289	—	—
Trade and other payables	18	54,698	42,146	29,344	43,151
Amount due to a director	16	—	—	3,699	15,066
Amount due to a related company	16	169	—	—	—
Obligation under finance leases	19	31	33	—	—
Current tax liabilities		3,754	7,600	6,535	1,818
		<u>61,612</u>	<u>50,068</u>	<u>39,578</u>	<u>60,035</u>
<b>Net current assets</b>		<u>9,036</u>	<u>4,731</u>	<u>8,947</u>	<u>5,157</u>
<b>Total assets less current liabilities</b>		<u>9,574</u>	<u>5,799</u>	<u>9,508</u>	<u>6,222</u>
<b>Non-current liabilities</b>					
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>
<b>Total liabilities</b>		<u>61,716</u>	<u>50,191</u>	<u>39,627</u>	<u>60,063</u>
<b>NET ASSETS</b>		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</u>
<b>Capital and Reserves</b>					
Share capital	21	100	125	125	125
Reserves	22	9,370	5,551	9,334	6,069
<b>TOTAL EQUITY</b>		<u>9,470</u>	<u>5,676</u>	<u>9,459</u>	<u>6,194</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**3. COMBINED 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	
<b>As at July 1, 2012</b>	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 payable (Note 11)	—	—	—	(16,100)	(16,100)
<b>As at June 30, 2013</b>	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 payable (Note 11)	—	—	—	(24,000)	(24,000)
<b>As at June 30, 2014</b>	<u>125</u>	<u>5,229</u>	<u>(13)</u>	<u>335</u>	<u>5,676</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

**4. COMBINED 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	
<b>As at July 1, 2014</b>	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 payable (Note 11)	—	—	—	(20,000)	(20,000)
<b>As at June 30, 2015</b>	125	5,229	(13)	4,118	9,459
Profit for the period	—	—	—	8,794	8,794
Other comprehensive income for the period					
Exchange differences on translating foreign operations	—	—	(59)	—	(59)
Total comprehensive income for the period	—	—	(59)	8,794	8,735
Dividend payable (Note 11)	—	—	—	(12,000)	(12,000)
<b>As at December 31, 2015</b>	<u>125</u>	<u>5,229</u>	<u>(72)</u>	<u>912</u>	<u>6,194</u>
<b>(Unaudited)</b>					
<b>As at July 1, 2014</b>	125	5,229	(13)	335	5,676
Profit for the period	—	—	—	17,421	17,421
Total comprehensive income for the period	—	—	—	17,421	17,421
<b>As at December 31, 2014</b>	<u>125</u>	<u>5,229</u>	<u>(13)</u>	<u>17,756</u>	<u>23,097</u>

**APPENDIX I**

**ACCOUNTANT'S REPORT**

**5. COMBINED STATEMENTS OF CASH FLOWS**

	Year ended June 30			Six months ended	
				December 31	
	2013	2014	2015	2014	2015
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Cash flows from operating activities</b>					
Profit before income tax expense	20,840	24,345	28,632	20,876	10,467
Adjustments for:					
Depreciation of property, plant and equipment	234	536	531	285	244
Finance costs	7	5	3	2	—
Interest income	(2)	(3)	(4)	(1)	(2)
Gain on disposal of property, plant and equipment	—	—	(44)	—	—
Unrealised exchange (gain)/loss, net	18	(227)	832	(42)	574
Impairment on trade receivables	67	2	965	—	—
<b>Operating profit before working capital changes</b>	<b>21,164</b>	<b>24,658</b>	<b>30,915</b>	<b>21,120</b>	<b>11,283</b>
Decrease/(increase) in trade and other receivables	11	(2,507)	10,179	(11,370)	(10,189)
(Decrease)/increase in trade and other payables	12,024	(12,552)	(12,802)	6,343	13,823
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	16,346	14,917
Income tax paid	<u>(711)</u>	<u>(266)</u>	<u>(5,929)</u>	<u>(5,928)</u>	<u>(6,411)</u>
<b>Net cash from operating activities</b>	<b><u>34,011</u></b>	<b><u>7,613</u></b>	<b><u>22,616</u></b>	<b><u>10,418</u></b>	<b><u>8,506</u></b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	(521)	(1,066)	(48)	(35)	(748)
Proceeds from disposal of property, plant and equipment	—	—	68	—	—
Interest received	2	3	4	1	2
Proceeds from disposal of associates	24	3	—	—	—
(Advance to)/repayment from director	(8,925)	(18,411)	(15,551)	1,750	(453)
(Advance to)/repayment from related companies	<u>(582)</u>	<u>(171)</u>	<u>857</u>	<u>—</u>	<u>25</u>
<b>Net cash (used in)/generated from investing activities</b>	<b><u>(10,023)</u></b>	<b><u>(19,645)</u></b>	<b><u>(14,670)</u></b>	<b><u>1,716</u></b>	<b><u>(1,174)</u></b>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
<b>Cash flows from financing activities</b>					
Proceed of issue of new shares on incorporation of a new group company	—	25	—	—	—
Repayment of finance lease payables	(29)	(31)	(92)	(15)	—
Interest paid	(7)	(5)	(3)	(2)	—
<b>Net cash used in financing activities</b>	<u>(36)</u>	<u>(11)</u>	<u>(95)</u>	<u>(17)</u>	<u>—</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	23,952	(12,043)	7,851	12,117	7,332
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(15)	227	(832)	42	(692)
<b>Cash and cash equivalents at beginning of year/period</b>	<u>10,906</u>	<u>34,843</u>	<u>23,027</u>	<u>23,027</u>	<u>30,046</u>
<b>Cash and cash equivalents at end of year/period</b>	<u>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>35,186</u>	<u>36,686</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 Development” to the Document, in preparation for the [REDACTED] of shares of the Company on 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 [●].

**(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 combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the six months ended December 31, 2015 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 six months ended December 31, 2015, 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 combined statements of financial position of the Group as at June 30, 2013, 2014 and 2015 and December 31, 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 combined 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.

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## 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 [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 <sup>1</sup>
Amendments to HKAS <sup>1</sup>	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>3</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2017

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2018

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs on the financial statements of the Group in the initial application but is not yet in a position to state whether they will have a material impact on the results and the financial position of the Group.

Further information about these new and revised HKFRSs is as follows:

#### *Amendments to HKAS 1 — Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity’s share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

#### *Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### *Amendments to HKAS 27 — Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.



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### *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.

### *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.

### **Significant accounting policies**

#### **2.1 Basis of combination**

For the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods or since the date when the respective subsidiaries and were incorporated or first come under the common control of the controlling shareholder whichever is later.

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The net assets of the combining entities are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The combined statements of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The Financial Information incorporates the financial statements of the Company and entities controlled directly or indirectly by the Company. Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

All intra-group balances, transactions, unrealised gains and losses resulting from the intra-group transactions and dividends are eliminated on combination.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

### 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.

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.

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### 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 combined 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 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

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- 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.

### *(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.

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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 combined 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.

### *(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.

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### 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.

### 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.

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### **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.

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 combined 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.

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For the purpose of the combined 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;
- (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 an 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.



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### 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.

### 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.

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**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:

	<b>Revenue from external customers</b>				
	<b>Year ended June 30</b>			<b>Six months ended December 31</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<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	50,524	14,494
Asia (excluding Hong Kong and PRC)	19,804	17,577	24,747	7,678	13,935
PRC	6,517	5,946	4,933	3,119	5,021
Europe	10,709	23,834	31,137	12,993	21,443
The Americas	4,301	10,238	3,008	2,620	4,875
Middle East	519	4,163	—	—	—
	<u>41,850</u>	<u>61,758</u>	<u>63,825</u>	<u>26,410</u>	<u>45,274</u>
	<u>123,767</u>	<u>113,798</u>	<u>130,578</u>	<u>76,934</u>	<u>59,768</u>

	<b>Specified non-current assets</b>			
	<b>As at June 30</b>			<b>As at December 31</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<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	1,062
PRC	8	6	4	3
	<u>538</u>	<u>1,068</u>	<u>561</u>	<u>1,065</u>

**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:

	<b>Year ended June 30</b>			<b>Six months ended December 31</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)				
Client A	25,115	—	—	—	—
Client B	—	—	17,790	15,712	—
Client C	—	—	—	11,621	—
Client D	—	—	—	—	6,111
Client E	—	—	—	—	5,982
	<u>25,115</u>	<u>—</u>	<u>17,790</u>	<u>27,333</u>	<u>12,093</u>

\* Less than 10% of the Group’s revenue

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**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			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Revenue</b>					
Sales of products					
— Millwork and furniture	38,434	64,726	57,904	32,370	41,135
— Facade fabrication	16,153	8,346	6,823	4,221	5,729
Income from interior solutions projects	69,145	40,721	64,752	39,285	12,862
Design and project consultancy service income	35	5	1,099	1,058	42
	<u>123,767</u>	<u>113,798</u>	<u>130,578</u>	<u>76,934</u>	<u>59,768</u>

An analysis of the Group’s other income and other gains recognised during the Relevant Periods are as follows:

	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Other income</b>					
Bank interest income	2	3	4	1	2
Sundry income	1	—	—	—	—
	<u>3</u>	<u>3</u>	<u>4</u>	<u>1</u>	<u>2</u>
<b>Other gains</b>					
Gain on disposal of property, plant and equipment	—	—	44	—	—
Exchange gain, net	—	306	—	21	—
	<u>—</u>	<u>306</u>	<u>44</u>	<u>21</u>	<u>—</u>

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**6. OPERATING PROFIT**

The Group’s operating profit is arrived at after charging:

	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Auditors’ remuneration	117	125	300	—	90
Depreciation	234	536	531	285	244
Operating lease rentals in respect of:					
— Land and buildings	500	729	862	428	456
— Plant and equipment	—	—	14	—	22
Impairment on trade receivables	67	2	965	—	—
Exchange (gain)/loss, net	126	(306)	575	(21)	502
Employee benefit expenses ( <i>Note 7</i> )	6,517	7,663	8,934	3,716	4,454

**7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS’ REMUNERATION**

	The Group			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Wages and salaries	6,080	6,629	7,279	2,965	3,664
Post-employment benefits — contribution to defined contribution retirement plan	335	305	350	121	152
Other benefits	102	729	1,305	630	638
	6,517	7,663	8,934	3,716	4,454

**8. FINANCE COSTS**

	The Group			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Interests on finance leases	7	5	3	2	—

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**9. DIRECTORS’ REMUNERATION AND SENIOR MANAGEMENT’S EMOLUMENTS**

**The Group**

(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 directors of subsidiaries who were appointed as directors of the Company on [●] are as follows:

	Fees HK\$’000	Salaries and benefits HK\$’000	Contribution to defined contribution retirement plan HK\$’000	Total HK\$’000
<b>Year ended June 30, 2015</b>				
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
	—	3,347	54	3,401
<b>Year ended June 30, 2014</b>				
Executive directors:				
Mr. Sandi Lee	—	900	15	915
Mr. Leung Pak Yin	—	974	15	989
Mr. Lai Hon Lam Carmen	—	427	15	442
	—	2,301	45	2,346
<b>Year ended June 30, 2013</b>				
Executive directors:				
Mr. Sandi Lee	—	600	15	615
Mr. Leung Pak Yin	—	870	15	885
Mr. Lai Hon Lam Carmen	—	399	15	414
	—	1,869	45	1,914
<b>Six months ended December 31, 2015</b>				
Executive directors:				
Mr. Sandi Lee	—	900	9	909
Mr. Leung Pak Yin	—	354	9	363
Mr. Lai Hon Lam Carmen	—	238	9	247
	—	1,492	27	1,519
<b>Six months ended December 31, 2014</b>				
Executive directors:				
Mr. Sandi Lee	—	900	9	909
Mr. Leung Pak Yin	—	333	9	342
Mr. Lai Hon Lam Carmen	—	210	9	219
	—	1,443	27	1,470

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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 [●]. 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 Relevant Periods, 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			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Basic salaries, bonuses and other allowances	977	1,173	1,283	506	584
Post-employment benefits — Contribution to defined contribution retirement plan	26	29	34	17	18
	<u>1,003</u>	<u>1,202</u>	<u>1,317</u>	<u>523</u>	<u>602</u>

Their remuneration fell within the following bands:

	No. of employees				
	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</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				
	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>

One member of senior management whose emoluments are included in five highest paid individuals as set out in Note 9(ii).

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**10. INCOME TAX EXPENSE**

**The Group**

The amount of income tax expense in the combined statements of comprehensive income represents:

	Year ended June 30			Six months ended December 31	
	2013	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax — Hong Kong profits tax — tax for the year	<u>3,508</u>	<u>4,110</u>	<u>4,860</u>	<u>3,454</u>	<u>1,477</u>
	<u>3,508</u>	<u>4,110</u>	<u>4,860</u>	<u>3,454</u>	<u>1,477</u>
Current tax — overseas profits tax — tax for the year	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>	<u>217</u>
	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>	<u>217</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>3,455</u>	<u>1,673</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

The PRC subsidiary is subject to PRC Enterprise Income Tax at 25% 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 six months ended December 31, 2015, the Macau subsidiary is subject to profit tax at 12%.

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

	Year ended June 30			Six months ended December 31	
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
Profit before income tax expense	<u>20,840</u>	<u>24,345</u>	<u>28,632</u>	<u>20,876</u>	<u>10,467</u>
Tax calculated at the applicable statutory tax rate of 16.5%	3,439	4,017	4,724	3,444	1,727
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(1)	(4)	223	7	(95)
Tax effect of income not subject to tax	(129)	(140)	(186)	(18)	(37)
Tax effect of expense not deductible for tax purpose	145	189	111	30	48
Tax effect of tax losses not recognised	2	6	—	—	30
Utilisation of tax losses previously not recognised	—	—	(8)	(8)	—
Tax effect of tax exemptions	—	—	—	—	—
Others	<u>66</u>	<u>96</u>	<u>(15)</u>	<u>—</u>	<u>—</u>
Income tax expense at the effective tax rate	<u>3,522</u>	<u>4,164</u>	<u>4,849</u>	<u>3,455</u>	<u>1,673</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 combined 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 payable 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 payable 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 payable by a group entity, Crosstec Group, to its then shareholders.

For the six months ended December 31, 2015, 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.

For the six months ended December 31, 2015, an interim dividend of approximately HK\$40 per ordinary share, or in aggregation of approximately HK\$1,000,000 represented interim dividends declared and payable by a group entity, CX Macau, to its then shareholders.

**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 a combined basis as described in Note 1 above.



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**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>				
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	510	238	—	748
At December 31, 2015	782	717	1,478	2,977
<b>Accumulated depreciation</b>				
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	12	33	199	244
At December 31, 2015	284	405	1,223	1,912
<b>Net book value</b>				
At December 31, 2015	498	312	255	1,065
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 six months ended December 31, 2015 in respect of assets held under finance lease (Note 19).

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**14. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK**

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of reporting periods:				
Contract costs incurred	16,491	11,886	—	—
Recognised profits less recognised losses	<u>5,195</u>	<u>2,573</u>	<u>—</u>	<u>—</u>
	21,686	14,459	—	—
Less: progress billings	<u>(23,153)</u>	<u>(14,206)</u>	<u>—</u>	<u>—</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 December 31, 2015, 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\$671,000 respectively.

As at June 30, 2013, 2014 and 2015 and December 31, 2015, 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\$Nil, respectively.

**15. TRADE AND OTHER RECEIVABLES**

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (note (a))	11,073	14,331	9,956	16,139
Retention receivables (note (b) and Note 14)	446	—	1,640	671
Other receivables (note (c))	1,079	3,461	399	713
Prepayments (note (c))	<u>14,495</u>	<u>11,806</u>	<u>6,459</u>	<u>10,983</u>
	<u>27,093</u>	<u>29,598</u>	<u>18,454</u>	<u>28,506</u>

(a)

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	11,073	14,331	9,956	16,139
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>16,139</u>

Trade receivables are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances.

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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 December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than 1 month	5,712	3,745	4,646	9,466
1 to 3 months	693	5,222	4,468	5,699
3 months to 6 months	321	915	388	293
More than 6 months but less than one year	2,330	2,490	—	538
More than one year	2,017	1,959	454	143
	<u>11,703</u>	<u>14,331</u>	<u>9,956</u>	<u>16,139</u>

Movements in provision for impairment of trade receivables are as follows:

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 December 31, 2015 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 December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	—	—	—	3,595
Less than 1 month past due	5,712	3,745	4,646	5,871
1 to 3 months past due	693	5,222	4,468	5,699
More than 3 months past due but less than 12 months past due	2,651	3,405	388	831
More than one year past due	2,017	1,959	454	143
	<u>11,703</u>	<u>14,331</u>	<u>9,956</u>	<u>16,139</u>

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.



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	<b>Balance at July 1, 2013 <i>HK\$'000</i></b>	<b>Maximum amount outstanding during the year <i>HK\$'000</i></b>	<b>Balance at June 30, 2014 <i>HK\$'000</i></b>
<b>Director</b>			
Mr. Sandi Lee	<u>6,339</u>	<u>23,729</u>	<u>750</u>
<b>Related company</b>			
Wealthmood Limited	<u>880</u>	<u>882</u>	<u>882</u>

	<b>Balance at July 1, 2012 <i>HK\$'000</i></b>	<b>Maximum amount outstanding during the year <i>HK\$'000</i></b>	<b>Balance at June 30, 2013 <i>HK\$'000</i></b>
<b>Director</b>			
Mr. Sandi Lee	<u>13,558</u>	<u>30,643</u>	<u>6,339</u>
<b>Related company</b>			
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:

	<b>As at June 30 2013 <i>HK\$'000</i></b>	<b>As at June 30 2014 <i>HK\$'000</i></b>	<b>2015 <i>HK\$'000</i></b>	<b>As at December 31 2015 <i>HK\$'000</i></b>
<b>Director</b>				
Mr. Sandi Lee	<u>—</u>	<u>—</u>	<u>3,699</u>	<u>15,066</u>
<b>Related company</b>				
Crossmax Design (Macau) Limitada	<u>169</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<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.

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**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.

**18. TRADE AND OTHER PAYABLES**

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables ( <i>note (a)</i> )	20,089	16,808	13,445	20,274
Receipts in advance ( <i>note (b)</i> )	29,862	20,674	11,403	16,140
Other payables and accruals ( <i>note (c)</i> )	4,747	4,664	4,496	6,427
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>43,151</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 December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current or less than 1 month	4,915	4,640	2,663	6,693
1 to 3 months	7,589	3,183	4,717	7,332
4 to 6 months	2,842	3,127	1,709	4,113
7 to 12 months	2,359	2,955	4,196	1,800
More than 1 year	<u>2,384</u>	<u>2,903</u>	<u>160</u>	<u>336</u>
	<u>20,089</u>	<u>16,808</u>	<u>13,445</u>	<u>20,274</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.

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**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:

	<b>Minimum lease payments</b>	<b>Interest</b>	<b>Present value</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at December 31, 2015</b>			
Not later than one year	—	—	—
Later than one year and not later than five years	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
<b>As at June 30, 2015</b>			
Not later than one year	—	—	—
Later than one year and not later than five years	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
<b>As at June 30, 2014</b>			
Not later than one year	36	3	33
Later than one year and not later than five years	63	4	59
	<u>99</u>	<u>7</u>	<u>92</u>
<b>As at June 30, 2013</b>			
Not later than one year	36	5	31
Later than one year and not later than five years	99	7	92
	<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:

	<b>As at June 30</b>		<b>As at December 31</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	123	832	903	1,627
Later than one year and not later than five years	—	1,038	373	3,192
	<u>123</u>	<u>1,870</u>	<u>1,276</u>	<u>4,819</u>

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**20. DEFERRED TAX**

**The Group**

Details of the deferred tax liabilities recognised and movements during the Relevant Periods are as follows:

	<b>Accelerated depreciation allowances</b> <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 December 31, 2015	<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\$182,000 as at June 30, 2013, 2014 and 2015 and December 31, 2015, 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\$100,000,000 divided into 10,000,000,000 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 IV to the Document.

For the purpose of this report, the share capital of the Group as at June 30, 2013, 2014 and 2015 and December 31, 2015 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

**22. RESERVES**

The amounts of the Group’s reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity of this report.

**(i) Merger reserve**

It arose as a result of the business combination involving entities under common control and represented the difference between the net asset value of Crosstec Interiors and the investment costs paid by Crosstec Group pursuant to the merger accounting for common control combination.



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(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 combined statements 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			Six months ended	
	2013	2014	2015	December 31	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
				(Unaudited)	
<i>Max Contracting Limited (“Max Contracting”) (Note(a))</i>					
Purchase of woodwork	8,640	8,073	7,560	5,563	1,956
Acquisition of furniture and fixtures	—	—	—	—	210
<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	—	219

(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	December 31	
	HK\$'000	HK\$'000	HK\$'000	2014	2015
				HK\$'000	
<b>Year/period ended balance included in trade and other receivables</b>					
Max Contracting	2,076	2,985	1,855	—	293
Max Furniture	—	—	—	—	263
<b>Year/period ended balance included in trade and other payables</b>					
Max Contracting	5,709	6,246	4,561	—	3,816
Max Furniture	—	—	13	—	—

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**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 10% of which was derived from largest customer and 52%, 37%, 43% and 45% of which was derived from five largest customers as at June 30, 2013, 2004 and 2015 and December 31, 2015, 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 to a director who is also a one of Controlling Shareholders of the Company, a subsidiary of the Company would distribute its retained profits to settle the amount due from the director. The director also confirmed that the remaining balance of his amount due to the Group would be settled before the [REDACTED] of shares of the Company on 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.

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**(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.

	<b>On demand</b> <i>HK\$’000</i>	<b>Less than 3 months</b> <i>HK\$’000</i>	<b>3 to 12 months</b> <i>HK\$’000</i>	<b>Over 1 year</b> <i>HK\$’000</i>	<b>Total</b> <i>HK\$’000</i>
<b>As at December 31, 2015</b>					
Trade and other payables	26,701	—	—	—	26,701
	<u>26,701</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,701</u>
<b>As at June 30, 2015</b>					
Trade and other payables	17,941	—	—	—	17,941
	<u>17,941</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,941</u>
<b>As at June 30, 2014</b>					
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>
<b>As at June 30, 2013</b>					
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>

**(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.

*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.

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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 six months ended December 31, 2015 is as follows:

	As at June 30		As at	
	2013	2014	2015	December 31
	HK\$’000	HK\$’000	HK\$’000	2015
				HK\$’000
Increase/(decrease) in profit for the year/period				
— as a result of increase in interest rate	87	58	75	92
— as a result of decrease in interest rate	<u>(87)</u>	<u>(58)</u>	<u>(75)</u>	<u>(92)</u>

**(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
<b>As at December 31, 2015</b>					
Cash and cash equivalents	<u>14,874</u>	<u>3,047</u>	<u>33</u>	<u>8,744</u>	<u>679</u>
<b>As at June 30, 2015</b>					
Cash and cash equivalents	<u>713</u>	<u>2,090</u>	<u>218</u>	<u>9,265</u>	<u>756</u>
<b>As at June 30, 2014</b>					
Cash and cash equivalents	<u>577</u>	<u>817</u>	<u>3,177</u>	<u>1,868</u>	<u>859</u>
<b>As at June 30, 2013</b>					
Cash and cash equivalents	<u>1,379</u>	<u>183</u>	<u>1,704</u>	<u>1,190</u>	<u>882</u>

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(ii) *Sensitivity analysis*

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and other components of combined 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.

	<b>Increase/ (decrease) in foreign exchange rates</b>	<b>Effect on profit after tax and retained profits</b>
	%	HK\$'000
<b>As at December 31, 2015</b>		
RMB	1	25
EUR	(23)	7
GBP	(6)	(438)
CAD	(10)	(57)
	<u>(10)</u>	<u>(57)</u>
<b>As at June 30, 2015</b>		
RMB	1	18
EUR	(18)	(33)
GBP	(8)	(619)
CAD	(14)	(89)
	<u>(14)</u>	<u>(89)</u>
<b>As at June 30, 2014</b>		
RMB	(1)	(7)
EUR	5	133
GBP	12	187
CAD	(1)	(8)
	<u>(1)</u>	<u>(8)</u>
<b>As at June 30, 2013</b>		
RMB	2	3
EUR	2	28
GBP	(4)	(40)
CAD	(4)	(29)
	<u>(4)</u>	<u>(29)</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.

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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 December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	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>9,334</u>	<u>6,069</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 December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loans and receivables</b>				
Trade and other receivables	12,598	17,792	11,995	17,523
Amounts due from a director	6,339	750	16,301	16,934
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>36,686</u>
	<u>54,660</u>	<u>42,451</u>	<u>58,367</u>	<u>54,209</u>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	24,836	21,472	17,941	26,237
Obligation under finance leases	123	92	—	—
Amounts due to a shareholder	—	—	—	—
Amounts due to a related company	<u>169</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>25,128</u>	<u>21,564</u>	<u>17,941</u>	<u>26,237</u>

**27. COMMITMENTS**

Details of the Group’s operating lease commitments are set out in Note 19 above. The Group has certain capital commitment at the end of each of the Relevant Periods and is disclosed as follows:

	As at June 30		As at December 31	
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commitments for the acquisition of property, plant and equipment:				
— contracted for but not provided	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

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**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.

Under the arrangement currently in force, the aggregate amount of remuneration of the directors of the Company, except for any performance bonus, payable for the year ending June 31, 2016 is estimated to be approximately HK\$[●].

**IV. SUBSEQUENT EVENTS**

Subsequent to December 31, 2015 and up to the date of this report, the following significant events have taken place:

- (a) On January 19, 2016, the Group obtained a banking facility of HK\$20,000,000 which is secured by the unlimited personal guarantees executed by Controlling Shareholders and a charge over deposits of HK\$15,000,000.
- (b) On [●], the entities now comprising the Group underwent a group reorganisation to rationalise the Group’s structure in preparation of the [REDACTED] of shares of the Company on the [REDACTED].
- (c) On [●], written resolutions were passed to effect the transactions as set out in the subparagraph headed “Written resolutions of our Shareholders passed on [●]” in Appendix IV to the Document, certain of which is disclosed as follows:
  - (i) 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 IV to the Document.

Save as disclosed above, there are no other significant events which have taken place subsequent to December 31, 2015.

**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 December 31, 2015.

Yours faithfully

**BDO Limited**

Certified Public Accountants

[●]

Practising Certificate Number [●]

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 ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of the adjusted combined 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 combined net tangible assets of the Group attributable to the owners of the Company as of 31 December 2015 as if the [REDACTED] had taken place on December 31, 2015.

This unaudited pro forma statement of adjusted combined 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 combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2015 or at any future dates following the [REDACTED]. It is prepared based on the combined net tangible assets of the Group attributable to the owners of the Company as at December 31, 2015 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.

	<b>Audited combined net tangible assets attributable to the owners of the Company as at 31 December 2015 HK\$'000</b>	<b>Estimated net proceeds from the [REDACTED] HK\$'000 (note 1)</b>	<b>Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company HK\$'000</b>	<b>Unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of the Company HK\$ (note 2)</b>
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 [REDACTED] that have been charged to profit or loss prior to 31 December 2015.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share attributable to the owners of the Company is calculated based on [REDACTED] in issue immediately following the completion of the [REDACTED] the Capitalisation issue assuming (i) the [REDACTED] had been completed on 31 December 2015 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 allotment and issue or repurchase of Shares referred to in Appendix IV to this document or otherwise.
- (3) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

**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**

**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 [●]. 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 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 proxy not less than one-third in nominal value of the

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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 The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), 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.

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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

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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.



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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

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(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

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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.

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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

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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

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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. 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.

**(c) 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.

**(d) 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.

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*(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.

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*(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.



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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.

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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.

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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.

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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.

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**(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

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- (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.

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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.

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**(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 [●].



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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.

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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

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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 V. 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.

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**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 [●] 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 III to this document.

**2. Changes in share capital of our Company and subsidiaries**

- (a) As at the date of incorporation, our authorised share capital was HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each. Upon the date of incorporation, 100 fully paid Share was allotted and issued at par value to CGH (BVI).
- (b) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on [●]” 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.
- (c) 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.

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**3. Written resolutions of our Shareholders passed on [●]**

On [●], 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 III to this document;
- (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 Underwriters 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) 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 at the close of business on [●] 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 capitalization and distributions and the [REDACTED] was approved;

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- (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 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, 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
- (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

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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 Main Board 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.

*Note:* Pursuant to the written resolutions passed by our Shareholders on [●], 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 [REDACTED] 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

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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.

***(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.



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*(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.

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 public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding 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.

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**B. FURTHER INFORMATION ABOUT THE 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 applied for registration of the following trademarks in Hong Kong:

<b>Trademark</b>	<b>Class</b>	<b>Applicant</b>	<b>Application number</b>	<b>Application date</b>
CROSSMAX GROUP INTERNATIONAL	20, 37, 42	CROSSTEC International Limited	303667023	January 22, 2016
	20, 37, 42	CROSSTEC International Limited	303667023	January 22, 2016
CROSSMAX	20, 37, 42	CROSSTEC International Limited	303667032	January 22, 2016
	20, 37, 42	CROSSTEC International Limited	303667032	January 22, 2016
CROSSTEC GROUP INTERNATIONAL	20, 37, 42	CROSSTEC International Limited	303678913	February 3, 2016

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<b>Trademark</b>	<b>Class</b>	<b>Applicant</b>	<b>Application number</b>	<b>Application date</b>
	20, 37, 42	CROSSTEC International Limited	303678913	February 3, 2016
CROSSTEC	20, 37, 42	CROSSTEC International Limited	303678922	February 3, 2016
<b>CROSSTEC</b>	20, 37, 42	CROSSTEC International Limited	303678922	February 3, 2016

*(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

<b>Registered owner</b>	<b>Domain name</b>	<b>Registration date</b>	<b>Expiry date</b>
CROSSTEC International Limited	www.crosstec.com.hk	January 18, 2016	January 18, 2017
CROSSTEC International Limited	ww.crossmax.com.hk	May 19, 2001	January 11, 2019

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**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 Main Board, 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*

<b>Name of Director/ chief executive</b>	<b>Capacity/Nature of interest</b>	<b>Number of underlying Shares (Note 1)</b>	<b>Percentage of shareholding</b>
Mr. Lee	Interest in a controlled corporation and interest of spouse	[REDACTED]	[REDACTED]

*Notes:*

- All interests stated are long positions.

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**(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 six months ended December 31, 2015 were approximately HK\$1.9 million, HK\$2.3 million, HK\$3.4 million and HK\$1.5 million respectively.

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- (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], to be notified to our Company and the [REDACTED], in each case once our Shares are [REDACTED] on the [REDACTED];
- (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;

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- (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 [●]. 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” [●], the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions
- “Scheme Period” the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

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### (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 [●]:

#### (i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business 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, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider 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\$1.



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(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 as from the Adoption Date (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] Date. 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

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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\$[●], 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] Rules 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

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- (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 not be transferable or assignable and shall be personal to the grantee of the option.

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*(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 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

*(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 3 months 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).

*(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, 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

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give a grantee the same proportion of the 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

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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.

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*(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 on the date on the Adoption Date 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*

The Share Option Scheme is conditional on the [REDACTED] granting the [REDACTED] of, and permission to [REDACTED] our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(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.

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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 are approximately HK\$50,000 and are payable by our Company.

**4. Promoter**

Our Company has no promoter for the purpose of the [REDACTED].



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**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:

<b>Name</b>	<b>Qualification</b>
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	Cayman Islands attorney-at-law
MdME	Macau legal advisors
Jingtian & Gongcheng	PRC legal advisors
DLA Piper	Legal advisors as to International Sanctions laws
Frost & Sullivan	Industry consultant

**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.

**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

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to Shares must be lodged for registration with, and registered by, our Company's branch share registrar 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 December 31, 2015 (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.

### 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;

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- (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 sub-underwriter) 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 [REDACTED] on any [REDACTED] 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
- (x) Save as disclosed in the section headed "Underwriting — [REDACTED] — [REDACTED] expenses" 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.

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**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 V**

**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 IV 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 IV 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 audited statutory financial statements of the companies comprising our Group for each of the three financial years ended June 30, 2015;
- (e) the Macau legal opinion issued by MdME, our Macau legal advisors in respect of our Group's operation in Macau;
- (f) the PRC legal opinion issued by Jingtian & Gongcheng, our PRC legal advisors in respect of our Group's operation in PRC;
- (g) the material contracts referred to in the section headed "Statutory and general information — Further information about the business — Summary of material contracts" in Appendix IV 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 IV 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 IV to this document;
- (l) the written consents referred to in the section headed "Statutory and general information — Other information — Consents of experts" in Appendix IV 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 III to this document.