

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.

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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.

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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

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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;

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- 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:

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

Notes:

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

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.

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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	%	2014	%	2015	2014	%	2015
	HK\$'000	change	HK\$'000	change	HK\$'000	HK\$'000	change	HK\$'000
						(unaudited)		
Revenue	123,767	(8.1%)	113,798	14.7%	130,578	76,934	(22.3%)	59,768
Direct cost	(90,400)	(15.1%)	(76,751)	12.5%	(86,376)	(50,354)	(21.8%)	(39,392)
Gross profit	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]	(12,523)	3.9%	(13,006)	20.1%	(15,615)	(5,724)	22.3%	(7,001)
	—		—		—	—		(2,910)
Operating profit	20,847	16.8%	24,350	17.6%	28,635	20,878	(49.9%)	10,467
Finance costs	(7)	(28.6%)	(5)	(40.0%)	(3)	(2)	(100.0%)	—
Profit before income tax expense	20,840	16.8%	24,345	17.6%	28,632	20,876	(49.9%)	10,467
Income tax expense	(3,522)	18.2%	(4,164)	16.5%	(4,849)	(3,455)	(51.6%)	(1,673)
Profit for the year/period and attributable to owners of the Company	17,318	16.5%	20,181	17.8%	23,783	17,421	(49.5%)	8,794
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	39	—	—	—	—	—	—	(59)
Other comprehensive income for the year/period and attributable to owners of the Company, net of tax	39	—	—	—	—	—	—	(59)
Total comprehensive income for the year/period and attributable to owners of the Company	17,357	16.3%	20,181	17.8%	23,783	17,421	(49.9%)	8,735

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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	% of	2014	% of	2015	% of	2014	% of	2015	% of
	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue	HK\$'000	revenue
							(unaudited)			
Millwork and furniture provision	38,434	31.1%	64,726	56.9%	57,904	44.3%	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%
Total	123,767	100.0%	113,798	100.0%	130,578	100.0%	76,934	100.0%	59,768	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”.

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Selected Consolidated Balance Sheet

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

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Selected Consolidated Statement of Cash Flows

	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)	
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>34,843</u>	<u>23,027</u>	<u>30,046</u>	<u>35,186</u>	<u>36,686</u>

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

Major Financial Ratios

	As at June 30,		As at December 31,	
	2013	2014	2015	2015
	%	%	%	%
Profitability ratios				
Gross profit margin ⁽¹⁾	27.0	32.6	33.9	34.1
Net profit margin ⁽²⁾	14.0	17.7	18.2	14.7
Return of equity ⁽³⁾	182.9	355.5	251.4	284.0
Return of total assets ⁽⁴⁾	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>
Liquidity ratios				
Current ratio ⁽⁵⁾	1.1	1.1	1.2	1.1
Quick ratio ⁽⁶⁾	1.1	1.1	1.2	1.1
Capital adequacy ratios				
Gearing ratio ⁽⁷⁾	0.01	0.02	—	—

Notes:

1. The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.
2. The calculation of net profit margin is based on profit for the period divided by revenue and multiplied by 100%.
3. The calculation of return on equity is based on profit for the year attributable to the owners of the company divided by total equity and multiplied by 100%.
4. The calculation of return on total assets is based on profit for the year divided by total assets.
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.

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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⁽¹⁾. [REDACTED] to [REDACTED]

Note:

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