

## 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	<u>49</u>	<u>24</u>	<u>22</u>	<u>17</u>
Subtotal	<u>166</u>	<u>160</u>	<u>123</u>	<u>71</u>
<b>Europe</b>	25	26	27	27
<b>Middle East</b>	1	2	—	—
<b>Americas</b>	<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>

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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
							(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>

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.

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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 befit the brand’s image and seasonal concept, and it is imperative that the common image is projected in all stores of the brand globally. Our design and creative team has extensive experience in international design standards and the changing market trends, contributing to our ability to provide innovative design solutions of high quality. 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.

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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.

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### **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”.

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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.

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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.



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### OUR SERVICES AND PRODUCTS

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

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

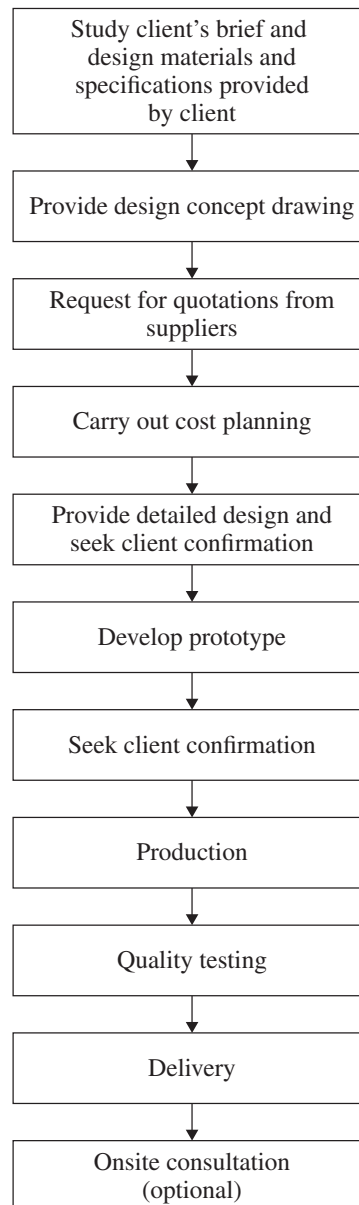
Services and products	Shop locations of our clients		
	Hong Kong	Asian countries (excluding Hong Kong)	Overseas (excluding Asian countries)
<b>Millwork and furniture provision</b>	✓	✓	✓
<b>Facade development and fabrication</b>	—	—	✓
<b>Interior solutions</b>			
— Fit-out construction	✓	✓ (local contractors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



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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

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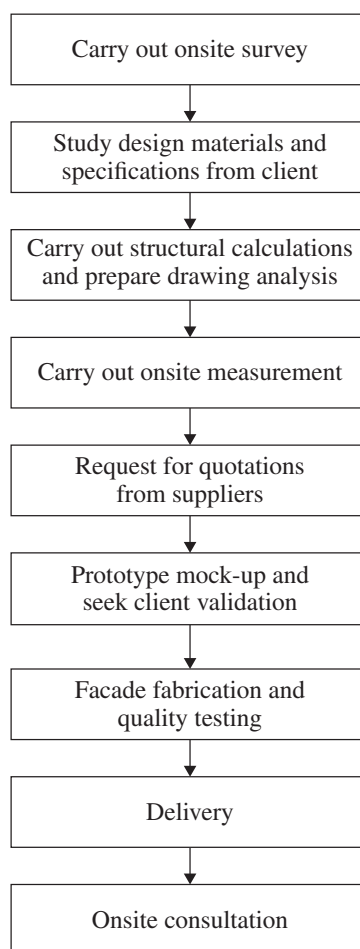
specifications. Thereafter, detailed carpentry design will be developed and mockup will be fabricated as prototype for testing and further modifications. Once we have our client’s approval, we will commission our supplier to produce the millwork and furniture at our supplier’s production facilities. 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:



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### Facade development and fabrication

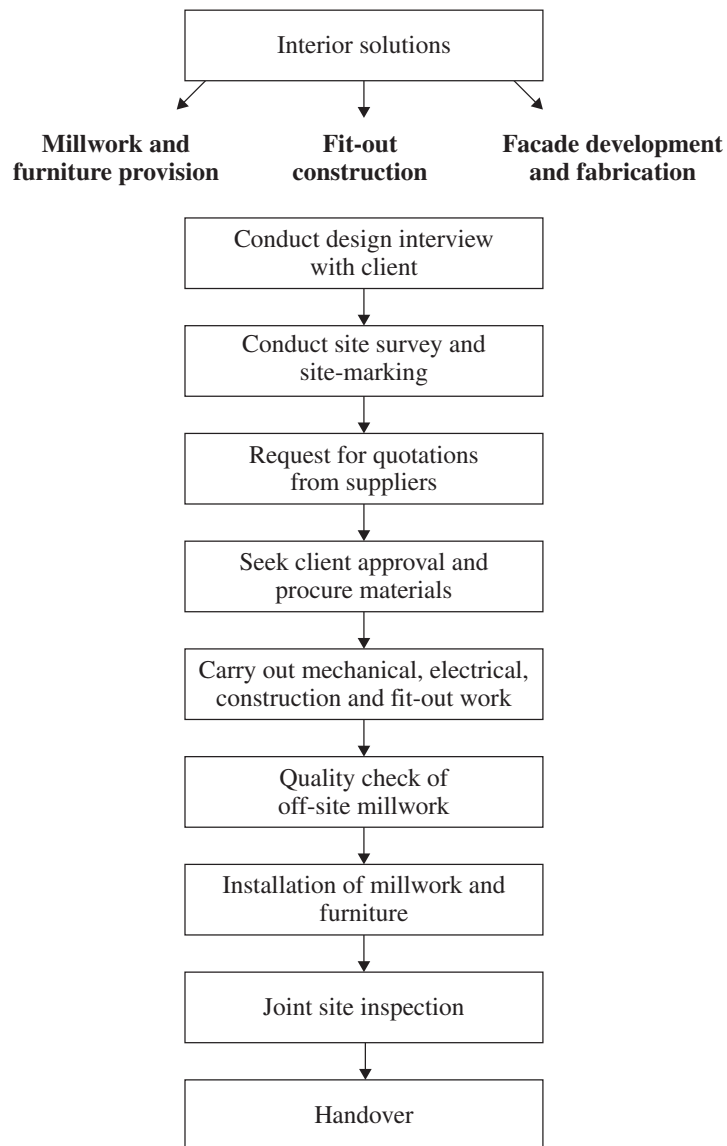


We currently only provide facade development and fabrication services for our overseas projects. A facade refers to the exterior or shopfront of a store. This segment relates solely to facade development and fabrication for our overseas projects.

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.

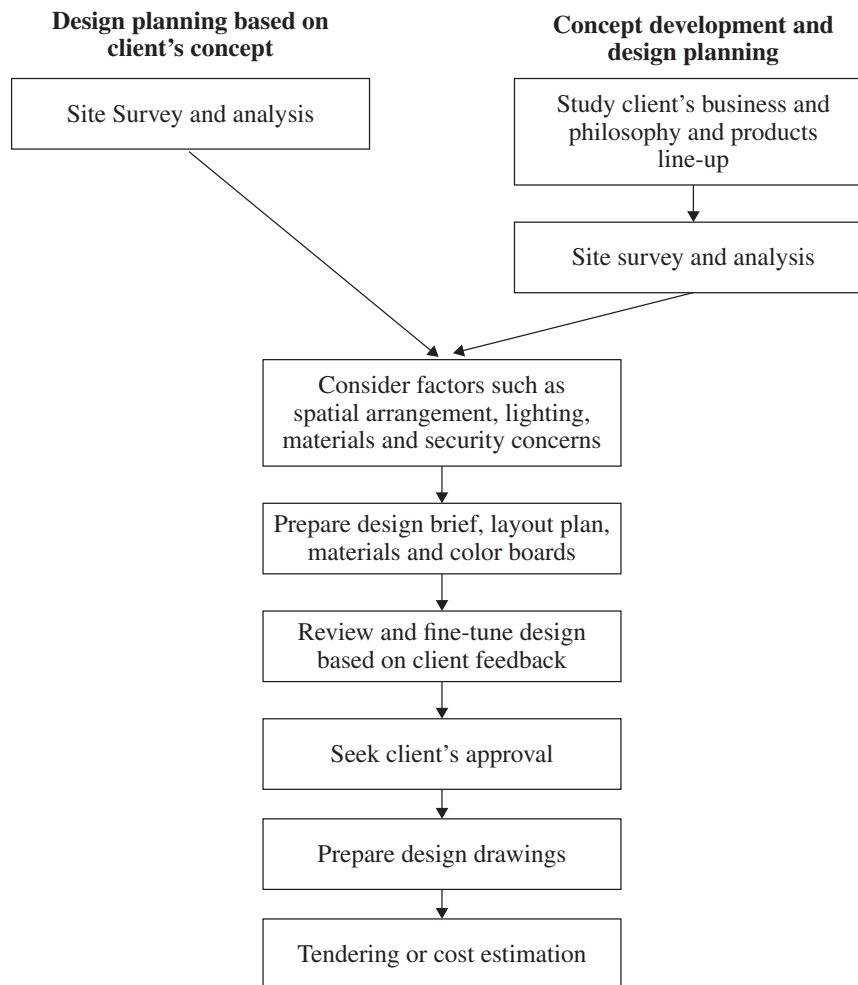
The millwork and furniture provision and facade development and fabrication services that we provide under the interior solutions services follow the same major steps as described above. In relation to our fit-out construction related work, we will conduct preliminary design interview with our client 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

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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:



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### 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:



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### 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.

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### 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.

## BUSINESS

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 HK\$'000</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
	Total	<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><u>42,207</u></u>	<u><u>55.0%</u></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><u>42,563</u></u>	<u><u>49.3%</u></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:

<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	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:

Certification	Description	Since	Latest validity period
ISO 9001	Certification for our quality management system in connection with the manufacturing and design of furniture	2004	August 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%
	Completion of Rectification works/			
	Quotation confirmation	Progress payment <sup>(3)</sup>	Practical completion	Retention fee <sup>(2)</sup>
Interior solutions	40%–70%	20%–40%	10%–40%	5%–10%
	Upon tendering of proposal			
	Contract confirmation	Design confirmation	Retention fee <sup>(2)</sup>	
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>

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*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;



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- 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.