

SUMMARY

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

OVERVIEW

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

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

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

OUR SERVICES AND PRODUCTS

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

SUMMARY

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

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

Note:

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

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

Millwork and furniture and facade development and fabrication service

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

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

SUMMARY

Interior solutions

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

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

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

Design and project consultancy

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

PRICING

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

MAJOR DEVELOPMENT MILESTONES

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

SUMMARY

OUR CLIENTS

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

OUR SUPPLIERS AND SUB-CONTRACTORS

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

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

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

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

SUMMARY

SALES AND MARKETING

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

OUR INDUSTRY

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

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe we have the following competitive strengths:

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

SUMMARY

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

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

MAJOR RISK FACTORS

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

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

BUSINESS ACTIVITIES IN LEBANON AND RUSSIA

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

SUMMARY

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

OUR CONTROLLING SHAREHOLDERS

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

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

Notes:

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

SUMMARY

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

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

SUMMARY

OUR RESULTS OF OPERATIONS

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

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

SUMMARY

Revenue

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

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

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

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

Gross profit and gross margin

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

SUMMARY

Profit for the year

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

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

Selected Consolidated Balance Sheet

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

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

SUMMARY

Selected Consolidated Statement of Cash Flows

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

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

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

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

SUMMARY

Major Financial Ratios

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

Notes:

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

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

SUMMARY

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

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

OPERATIONAL DATA

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

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

SUMMARY

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

Notes:

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

RECENT DEVELOPMENT

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

SUMMARY

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

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

[REDACTED]

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

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

DIVIDEND

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

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

SUMMARY

REASONS FOR THE [REDACTED]

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

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

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

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

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

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

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

SUMMARY

PROFIT ESTIMATE

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

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

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

Notes:

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

[REDACTED] STATISTICS

[REDACTED] upon [REDACTED] [REDACTED]

Number of [REDACTED]. [REDACTED] Shares

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

[REDACTED] per Share. [REDACTED]

[REDACTED]. [REDACTED] Shares

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

Note:

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