You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016 and related notes in the Accountant's Report included in Appendix I to this document which have been prepared in accordance with HKFRS. You should read the whole of the Accountant's Report included in Appendix I to this document and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document.

OVERVIEW

We provide bespoke and total interior design solutions to the retail stores of global luxury jewelry and fashion brands, which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. According to the Frost & Sullivan Report, we are the largest luxury retail interior designer in Hong Kong in terms of revenue in 2015. We have been conducting our business since 1999 and have expanded our business to China, the United States, Europe, Middle East and other Asian countries.

We enjoyed growth in net profit during the three years ended June 30, 2015. For the financial year ended June 30, 2013, 2014 and 2015, we generated revenue of HK$123.8 million, HK$113.8 million and HK$130.6 million, respectively, representing a growth of 5.5% over the three years primarily due to expansion of our global client base. For the same period, our net profits was HK$17.3 million, HK$20.2 million and HK$23.8 million, respectively, representing a growth of 37.3% over the three years. The increase was primarily due to improvement on the efficiency of our operation.

For the 10 months ended April 30, 2015 and 2016, we generated a revenue of HK$114.1 million and HK$100.8 million, respectively, representing a contraction of 11.6% primarily as a result of the decrease in revenue generated from interior solutions and our strategy to focus more on millwork and furniture provision. For the same period, our net profits was HK$21.6 million and HK$6.2 million, respectively, representing a contraction of 71.1%. The contraction was primarily due to the decrease in revenue and the one-off [REDACTED] incurred for the 10 months ended April 30, 2016.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Island as an exempted company with limited liability on March 18, 2016 and became the ultimate holding company of our Group on March 22, 2016 subsequent to our Reorganization in preparation for the [REDACTED]. See the section headed "History, Development and Reorganization — Reorganization" in this document for further information about the

Reorganization. The Reorganization involved the combination of a number of entities in the [REDACTED] business that were collectively controlled by the Controlling Shareholders and our Group is therefore regarded as a continuing entity resulting from the Reorganization, as there has been a continuation of the risks and benefits to Controlling Shareholders that prior to the combination. Accordingly, the information in this section has been prepared by applying the principles of merger accounting, as if the group structure under the Reorganization had been in existence throughout the relevant periods or since the respective dates of incorporation or establishment of the entities now comprising our Group, whichever is the shorter period.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016 have been prepared using the financial information of the companies engaged in the [REDACTED] Business under the common control of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended June 30, 2013, 2014 and 2015 and the ten months ended April 30, 2016, or since their respective dates of incorporation or establishment of the combining companies, or since the date when the combining companies first came under the control of the Controlling Shareholders. The consolidated statements of financial position of the Group as at June 30, 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

The financial information is presented in Hong Kong Dollars, which is also the functional currency of our Company.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Global economic environment

Our results of operations are subject to political, economic, legal and social developments in the world because our business, operations and client base are global in nature. As the majority of our clients are world famous prestigious luxury jewelry and fashion brands, changes in the global world economy or changes in the financial and economic conditions may depress the demand for luxury goods that would have a negative impact on the expansion or renovation plans of our clients and thereby reduce demand for our services, which may affect our results of operations. A reduced demand and/or lower contract sums could adversely affect our gross profit and negatively impact our cash flow. However, our clients may also engage us for downsizing or relocation of their boutiques due to the deterioration of global economic conditions which reduce our exposure to global economic downturn.

Our client relationships and factors affecting our clients

We maintain close and stable relationships with our major clients. For our five largest clients during the Track Record Period, we have established business relationships with them for a period with an average of over five years. As a result of these stable relationships, we are able to receive recurring businesses from the existing clients. However, the future results of our operation may be particularly impacted by changes in relationships with our major clients or by factors that affect the market demand for luxury jewelry and fashion brand.

And also, as the majority of our clients are world famous prestigious luxury jewelry and fashion brands, our projects must be completed in accordance with our client's specifications, quality standards, safety measures and time frame. Failure to comply with any of these requirements may not only tarnish our reputation but also drag down our revenue and profitability. We have not been claimed for any damages or penalties by our clients for any of the aforesaid reasons. With our commitment to excellence, we will continue to give full effort to ensure our current and future projects are completed in accordance with all the requirements.

The business of our Group is project-based

The business of our Group is project-based. Since our Group provides a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy, which can be individually or collectively engaged by our clients according to their needs for each individual project, therefore, the type of projects we carry out will vary and, in turn, the revenue mix of our Group may fluctuate from time to time.

And also, as our business operations are project-based, it is common in the industry that no long term contracts are signed between our clients and our Group, even though we maintain close and stable relationships with our major clients. There is no guarantee that our clients will engage us for new business and we cannot assure that we will be able to maintain or improve our relationships with our major clients and any of them may terminate their respective relationships with us as they do not have long term commitments with us.

Pricing of our contracts

Our results of operations are affected by the prices that we quote when we received invitation for quotations for new projects. The price that we quote for our services is generally based on our estimated project costs and time plus a mark-up margin. In order to compete with our competitors, we need to balance the competing considerations and at the same time maintain the quality of our services and our profitability. We seek to submit sufficiently competitive and attractive price quotes while avoid being overly competitive that may have a material adverse impact on our results of operations. Pricing is particularly important for our projects since once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances, save and except in the event of any variation orders agreed in advance between the parties. We believe effective cost management and our research and development capabilities will assist us in striking a balance between quoting a competitive price and maintaining the quality of our services and our profitability. By keeping our costs at a manageable level, we seek to price our services at a competitively level whilst at the same time continue to maintain the quality of our services and our profitability.

Competition

We are a provider of interior design solutions which cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Although there are only a limited number of competitors in the market that can provide a full spectrum of services to their client, our Group also compete with small to medium scale interior designer companies, which provide a limited scope of design or construction services. As the majority of our clients are world famous prestigious luxury jewelry and fashion brands, market participants have to, not only come up with innovative and high quality design ideas, but also be price competitive. Although the market entry barrier to the interior design industry is not very high, it is challenging for new entrants to enter into business relationships with luxury brands. In particular, luxury brands look to interior designers that can offer one-stop solutions to their needs while providing high quality products and services and authentic design.

CRITICAL ACCOUNTING POLICIES

Our Directors have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 2 to the accountants' report included in Appendix I to this document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgments based on information and financial data that may change in future periods. Our Directors believe accounting policies such as revenue recognition and construction contracts involved the most significant estimates and judgments used in the preparation of our financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Year ended June 30,					10 months ended April 30,		
	2013	%	**2014**	%	**2015**	**2015**	%	**2016**
	HK$'000	*change*	*HK$'000*	*change*	*HK$'000*	*HK$'000* (unaudited)	*change*	*HK$'000*
Revenue	123,767	(8.1%)	113,798	14.7%	130,578	114,087	(11.6%)	100,837
Direct cost	(90,400)	(15.1%)	(76,751)	12.5%	(86,376)	(74,796)	(12.9%)	(65,175)
Gross profit	33,367	11.0%	37,047	19.3%	44,202	39,291	(9.2%)	35,662
Other income	3	0.0%	3	33.3%	4	2	50.0%	3
Other gains	—	—	306	(85.6%)	44	44	(100.0%)	—
Administrative expenses	(12,523)	3.9%	(13,006)	20.1%	(15,615)	(13,356)	17.6%	(15,708)
[REDACTED]	—		—		—	—	—	(10,549)
Operating profit	20,847	16.8%	24,350	17.6%	28,635	25,981	(63.8%)	9,408
Finance costs	(7)	(28.6%)	(5)	(40.0%)	(3)	(3)	(100.0%)	—
Profit before income tax expense	20,840	16.8%	24,345	17.6%	28,632	25,978	(63.8%)	9,408
Income tax expense	(3,522)	18.2%	(4,164)	16.5%	(4,849)	(4,425)	(28.1%)	(3,183)
Profit for the year/period and attributable to owners of the Company	17,318	16.5%	20,181	17.8%	23,783	21,553	(71.1%)	6,225
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	39	—	—	—	—	—	—	(59)
Other comprehensive income for the year/period and attributable to owners of the Company, net of tax	39	—	—	—	—	—	—	(59)
Total comprehensive income for the year/period and attributable to owners of the Company	17,357	16.3%	20,181	17.8%	23,783	21,553	(71.4%)	6,166

Revenue

Our revenue was HK$123.8 million, HK$113.8 million, HK$130.6 million, HK$114.1 million and HK$100.8 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. The overall increase of our revenue for the three years ended June 30, 2015 was primarily due to the growth of our global client base. The contraction of our revenue for the 10 months ended April 30, 2016 was primarily due to the decrease in revenue generated from interior solutions because of local economic downturn and our major clients focused more on overseas markets, therefore, our revenue generated from millwork and furniture provision increased.

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

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

During the Track Record Period, revenue generated from Hong Kong, other Asia countries and Europe accounts for a substantial portion of our revenue, reflecting our global client base. For the 10 months ended April 30, 2016, we further expanded our business in Europe. We expect that revenue generated from Americas and Europe will continue to grow in the near future.

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

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

We generated revenue principally from providing four major categories of interior design services, including: (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions and (iv) design and project consultancy.

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

	Year ended June 30,						10 months ended April 30,			
	2013		2014		2015		2015		2016	
	No. of projects completed	Average contract sum	No. of projects completed	Average contract sum	No. of projects completed	Average contract sum	No. of projects completed	Average contract sum	No. of projects completed	Average contract sum
		HK$'000		*HK$'000*		*HK$'000*		*HK$'000*		*HK$'000*
Millwork and furniture provision	172	223	162	400	117	495	112	433	113	592
Facade development and fabrication	3	5,384	3	2,782	4	1,706	5	1,249	6	3,122
Interior solutions	18	3,841	37	1,101	33	1,962	33	1,765	42	352
Design and project consultancy	3	12	1	5	2	550	2	550	9	43
Total	196	631	203	561	156	837	152	751	170	593

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

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

Millwork and furniture provision

Our revenue from millwork and furniture provision was HK$38.4 million, HK$64.7 million, HK$57.9 million, HK$48.5 million and HK$66.9 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 31.1%, 56.9%, 44.3%, 42.5% and 66.3% of our total revenue for the same period. As it is our strategy to focus more on millwork and furniture provision, we expect our revenue generated from millwork and furniture provision will continue to account for a substantial portion of our total revenue.

Facade development and fabrication

Our revenue from facade development and fabrication was HK$16.2 million, HK$8.3 million, HK$6.8 million, HK$6.2 million and HK$18.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 13.1%, 7.3%, 5.2%, 5.5% and 18.6% of our total revenue for the same period.

Interior solutions

Our revenue from interior solutions was HK$69.1 million, HK$40.7 million, HK$64.8 million, HK$58.3 million and HK$14.8 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 55.8%, 35.8%, 49.7%, 51.1% and 14.7% of our total revenue for the same period. We expect the proportion of this segment's contribution to our revenue will decrease.

Design and project consultancy

Our revenue from design and project consultancy was HK$35,000, HK$5,000, HK$1,099,000, HK$1,099,000 and HK$390,000 for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 0.0%, 0.0%, 0.8%, 0.9% and 0.4% of our total revenue for the same period.

Direct cost

Direct cost primarily consists of costs of materials and subcontracting. Our direct cost was HK$90.4 million, HK$76.8 million, HK$86.4 million, HK$74.8 million and HK$65.2 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

The following table sets forth the details of our direct cost:

	Year ended June 30,						10 months ended April 30,			
	2013 *HK$'000*	*% of total direct cost*	**2014** *HK$'000*	*% of total direct cost*	**2015** *HK$'000*	*% of total direct cost*	**2015** *HK$'000* (unaudited)	*% of total direct cost*	**2016** *HK$'000*	*% of total direct cost*
Materials	58,881	65.1%	50,371	65.6%	56,080	64.9%	53,459	71.5%	55,852	85.7%
Subcontracting	25,394	28.1%	17,847	23.2%	24,167	28.0%	15,921	21.3%	2,382	3.7%
Logistic	2,374	2.6%	5,958	7.8%	3,726	4.3%	3,375	4.5%	4,794	7.4%
Others	3,751	4.2%	2,575	3.4%	2,403	2.8%	2,041	2.7%	2,147	3.2%
Total	90,400	100.0%	76,751	100.0%	86,376	100.0%	74,796	100.0%	65,175	100.0%

Materials

Our direct cost of materials was HK$58.9 million, HK$50.4 million, HK$56.1 million, HK$53.5 million and HK$55.9 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 65.1%, 65.6%, 64.9%, 71.5% and 85.7% of our total direct cost for the same period. As it is our strategy to focus more on millwork and furniture provision, we expect our direct cost of materials will continue to account for a substantial portion of our total direct cost.

Subcontracting

Our direct cost of subcontracting was HK$25.4 million, HK$17.8 million, HK$24.2 million, HK$15.9 million and HK$2.4 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively, which represent 28.1%, 23.2%, 28.0%, 21.3% and 3.7% of our total direct cost for the same period. As we expect the proportion of revenue from interior solutions to total revenue will decrease, we expect the proportion of our direct cost of subcontracting to total direct cost will decrease accordingly.

Gross profit and gross margin

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

Other income

Our other income was HK$3,000, HK$3,000, HK$4,000, HK$2,000 and HK$3,000 for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Other income consists of bank interest income and sundry income.

Other gains

Our other gains was nil, HK$306,000, HK$44,000, HK$44,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Other income consists of gain on disposal of property, plant and equipment and net exchange gain.

Administrative expenses

The following table set forth our administrative expenses for the periods indicated:

	Year ended June 30,						10 months ended April 30,			
	2013		2014		2015		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	6,517	52.0%	7,663	58.9%	8,934	57.2%	7,794	58.4%	10,942	69.7%
Rental expenses	500	4.0%	729	5.6%	876	5.6%	793	5.9%	1,073	6.8%
Depreciation	234	1.9%	536	4.1%	531	3.4%	451	3.4%	431	2.7%
Motor vehicle expenses	1,376	11.0%	1,513	11.7%	665	4.3%	561	4.2%	283	1.8%
Entertainment	1,265	10.1%	729	5.6%	949	6.1%	740	5.5%	151	1.0%
Traveling expenses	918	7.3%	389	3.0%	612	3.9%	522	3.9%	439	2.8%
Others	1,713	13.7%	1,447	11.1%	3,048	19.5%	2,495	18.7%	2,389	15.2%
Total	12,523	100.0%	13,006	100.0%	15,615	100.0%	13,356	100.0%	15,708	100.0%

Our administrative expenses was HK$12.5 million, HK$13.0 million, HK$15.6 million, HK$13.4 million and HK$15.7 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. Employee benefit expenses and rental expenses were the two largest cost components. During the Track Record Period, our employee benefit expenses were HK$6.5 million, HK$7.7 million, HK$8.9 million, HK$7.8 million and HK$10.9 million respectively. Employee benefit expenses primarily consist of salaries and other employees' benefits. The overall increase of the employee benefit expenses was mainly due to the increase of the number of employees. In addition, during the Track Record Period, our rental expenses were HK$0.5 million, HK$0.7 million, HK$0.9 million, HK$0.8 million and HK$1.1 million respectively. The overall increase of the rental expenses was mainly due to the higher monthly rental expenses after the renewal of the tenancy agreement of our office in October 2013.

[REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total expenses for [REDACTED] are estimated to be approximately HK$24.6 million, of which approximately HK$10.6 million was recognized as [REDACTED] in our consolidated statements of comprehensive income during the 10 months ended April 30, 2016. We expect to incur additional [REDACTED] of approximately HK$0.6 million and HK$4.9 million which will be recognized as [REDACTED] for the two years ending June 30, 2016 and 2017 respectively. The balance of approximately HK$8.5 million is expected to be recognized as a deduction in equity upon [REDACTED].

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

Operating costs

The following table sets forth our operating costs (excluding the [REDACTED]) with breakdown by variable and fixed costs for the periods indicated:

	Year ended June 30,						10 months ended April 30,			
	2013		2014		2015		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Variable costs	90,400	87.8%	76,751	85.5%	86,376	84.7%	74,796	84.8%	65,175	80.6%
Fixed costs	12,523	12.2%	13,006	14.5%	15,615	15.3%	13,356	15.2%	15,708	19.4%
Total	102,923	100.0%	89,757	100.0%	101,991	100.0%	88,152	100.0%	80,883	100.0%

During the Track Record Period, our variable costs were direct cost which primarily consists of materials and subcontracting. For detail analysis of our direct cost, please refer to the section headed "Financial Information — Direct cost". Our fixed costs were administrative expenses which primarily consist of employee benefit expenses and rental expenses, and the detail analysis is set out on the section headed "Financial Information — Administrative expenses".

The proportion of our fixed costs increased from 15.2% for the 10 months ended April 30, 2015 to 19.4% for the 10 months ended April 30, 2016. It was primarily due to the increase in our employee benefit expenses and rental expenses.

Operating profit

As a result of the foregoing, our operating profit was HK$20.8 million, HK$24.4 million, HK$28.6 million, HK$26.0 million and HK$9.4 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

For the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, our Group had 4, 3, 2 and 1 projects with total project costs exceed contract sum respectively. The amount of project loss for each of the Track Record Period was HK$113,528, HK$493,563, HK$544,260 and HK$131,331 respectively. The reasons for incurring project loss were primarily due to the extra costs spent on the reproduction, subcontracting and the relevant urgent delivery, resulting from the subsequent design changes requested by our Group's clients. In order to maintain a good and long-term relationship with existing and new clients, such extra costs were waived by our Group. In particular, a Macau project with loss of approximately HK$397,000 was incurred by CX (Macau) in the financial year ended June 30, 2015, which resulted in the net loss of approximately HK$425,000 for the same period.

Our Directors consider such loss for each of the Track Record Period was insignificant to our Group and will not have any material adverse impact to our Group's financial condition as a whole.

Finance costs

Finance costs primarily consist of interest on finance leases of office equipment. Our finance costs was HK$7,000, HK$5,000, HK$3,000, HK$3,000 and nil for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively. During the Track Record Period, our finance costs decreased due to the reduction on outstanding principal of the equipment under finance leases. Our finance leases of office equipment was terminated during the year end June 30, 2015.

Income tax expenses

The following table sets forth our income tax expenses for the periods indicated:

	Year ended June 30,			10 months ended April 30,	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax — Hong Kong profit tax — tax for the year	3,508	4,110	4,860	4,423	2,984
Current tax — overseas profit tax — tax for the year	2	2	4	2	220
Deferred tax expense (credit)	12	52	(15)	—	(21)
Total	3,522	4,164	4,849	4,425	3,183

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands or the British Virgin Islands.

We are subject to the Hong Kong profit tax at the tax rate of 16.5% of the estimated assessable profits during the Track Record Period.

Our PRC subsidiary, Crosstec (Shenzhen), is subject to PRC Enterprise Income Tax at the tax rate of 25% during the Track Record Period.

Taxation on our Macau subsidiary, CX (Macau), is calculated at the rate prevailing in the Macau jurisdiction. As CX (Macau) was dormant from December 17, 2013, being the date of its incorporation, to June 30, 2014, it did not derive any income during this period. CX (Macau) engaged in the provision of total interior design solutions for the year ended June 30, 2015 and recorded a loss in the same year. Therefore, no provision for Macau profits tax had been made as CX (Macau) had no assessable income for the years ended June 30, 2013, 2014 and 2015. For the 10 months ended April 30, 2016, our Macau subsidiary recorded profit before tax of approximately HK$1.6 million, which is subject to profit tax at the tax rate of 12%.

During the Track Record Period, over 80% of our revenue was generated from Crosstec International. All projects of Crosstec International were principally negotiated and concluded at our Hong Kong office via emails or quotations, and the respective work was also carried out in Hong Kong. Therefore, the revenue was subject to Hong Kong profit tax. During the Track Record Period, our Group had certain overseas projects related to millwork and furniture provision and facade development and fabrication in which the revenue generated from these overseas projects were recognized as sale of goods. Our Group was not required to pay overseas import tax in relation to the delivery of goods and the related import tax were borne by our clients. For those overseas projects, the staff of our Group may be required to conduct on-site survey at the planning stage and to provide on-site follow-up for the installation of furniture and facade by our clients on a needed basis. Our Directors confirmed that these on-site activities are immaterial to the whole contract. Therefore, our Directors concluded that the foreign tax impact on our Group as a result of these overseas activities (if any) is remote.

Our effective income tax rates for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 were 16.9%, 17.1%, 16.9%, 17.0% and 33.8% respectively. During the Track Record Period, our effective income tax rates had been stable.

During the Track Record Period, we paid all relevant taxes and had no disputes or any unsolved tax issues with the relevant tax authorities.

Overseas tax exposure from interior solution projects in other Asian countries

During the Track Record Period, our Group's revenue from Asian countries, other than Hong Kong and the PRC, accounted for 15.5% to 25.7% of our total revenue. The table sets forth our revenue by region for the Track Record Period is set out in the section headed "Financial Information — Consolidated Statements of Comprehensive Income — revenue". The aforesaid revenue included revenue from all business segments, namely (i) millwork and furniture provision, (ii) facade development and fabrication, (iii) interior solutions, and (iv) design and project consultancy.

For the overseas projects relating to millwork and furniture provision and facade development and fabrication, our Group was not involved in the provision of fit-out construction services for the installation of furniture and facade. Instead, the installation was handled by the local fit-out contractors engaged by our Group's clients. Therefore, revenue generated from these overseas projects was recognized as sale of goods during the Track Record Period and were subject to Hong Kong profits tax.

For interior solutions which involved the on-site services for the installation and/or fit-out work construction, our Group was not involved in conducting the installation and fit-out work construction and all such works were subcontracted by our Group to local third party fit-out contractors in other Asian countries.

During the Track Record Period, among the aforesaid revenue, our Group's revenue generated from the interior solutions projects, other than the shop locations in Hong Kong and the PRC, are all derived from Macau and are further analysed below:

Company		**FY2013**	**FY2014**	**FY2015**	**PE 30.4.2016**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CX (Macau)	*i*	—	—	3,061	5,709	8,770
Crosstec International	*ii*	—	—	6,977	16	6,993
Total		—	—	10,038	5,725	15,763

Notes:

i. The total revenue of HK$8.8 million was derived from two interior solutions projects in Macau. The contracting party to those projects was CX (Macau) and it is subject to Macau complementary tax (i.e. Macau corporate income tax) at 12%.

ii. The total revenue of HK$7.0 million was derived from one interior solutions project in Macau (the "Macau project") and was included in the computation of Hong Kong profits tax in the respective financial year/period as Crosstec International was the contracting party to this project.

The potential tax exposure in respect of the Macau Project carried out by Crosstec International would generally be dependent on whether the Macau customer would claim deduction on the payment of contract sum in its tax return. If the Macau customer had claimed deduction on the payment of contract sum, it would have had requested Crosstec International to obtain a tax registration in Macau in respect of the fee payments. Our Directors confirmed that Crosstec International has not been requested by the Macau customer to obtain a tax registration in Macau in respect of the project income.

Should Crosstec International be required to make a tax registration register in Macau, the income derived from the Macau Project would be subject to Macau complementary tax. The tax would generally be calculated based on a deemed profit rate not exceeding 10%. For 2015, any profit exceeding the threshold of MOP600,000 would be subject to Macau complementary tax at a flat rate of 12%. For illustration purpose only, the potential Macau complementary tax impact in respect of the revenue derived from the Macau Project would be around HK$14,000 (i.e. (Revenue HK$6,993,000 x deemed profit rate 10% – MOP600,000/exchange rate 1.03) x tax rate 12%) which is considered as insignificant to our Group's overall financial position.

Profit for the year

As a result of the foregoing, our profit for the year was HK$17.3 million, HK$20.2 million, HK$23.8 million, HK$21.6 million and HK$6.2 million for the years ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2015 and 2016 respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Comparison for the 10 months ended April 30, 2016 to the 10 months ended April 30, 2015

Revenue

Our revenue decreased from HK$114.1 million for the 10 months ended April 30, 2015 to HK$100.8 million for the 10 months ended April 30, 2016, representing a decrease of 11.6%. The decrease in our revenue was primarily due to the decrease in revenue generated from interior solutions because of local economic downturn, partially off-set by the increase in revenue generated from millwork and furniture provision because of the increase in demand from our client.

Millwork and furniture provision

Our revenue from millwork and furniture provision increased from HK$48.5 million for the 10 months ended April 30, 2015 to HK$66.9 million for the 10 months ended April 30, 2016, representing an increase of 38.0%. The increase in our revenue from millwork and furniture provision was primarily due to our strategy to focus more on this segment. And also, the expansion plans of our major clients also focused more on oversea markets, which increased their demands of our millwork and furniture.

Facade development and fabrication

Our revenue from facade development and fabrication increased from HK$6.2 million for the 10 months ended April 30, 2015 to HK$18.7 million for the 10 months ended April 30, 2016, respesenting an increase of 200.0%. The increase in our revenue from facade development and fabrication was primarily due to the global launch of new concept by one of our major clients which increased our revenue generated from facade development and fabrication for the 10 months ended April 30, 2016.

Interior solutions

Our revenue from interior solutions decreased from HK$58.3 million for the 10 months ended April 30, 2015 to HK$14.8 million for the 10 months ended April 30, 2016, representing a decrease of 74.6%. The decrease in our revenue from interior solutions was primarily due to our strategy to focus more on millwork and furniture provision and the local economic downturn.

Design and project consultancy

Our revenue from design and project consultancy decreased from HK$1.1 million for the 10 months ended April 30, 2015 to HK$0.4 million for the 10 months ended April 30, 2016, representing a decrease of 64.5%. The decrease in our revenue from design and project consultancy was primarily due to the limited resources allocated to design and project consultancy because the percentage of revenue generated from this segment was significantly lower than the other segments historically.

Direct cost

Our direct cost decreased from HK$74.8 million for the 10 months ended April 30, 2015 to HK$65.2 million for the 10 months ended April 30, 2016, representing a decrease of 12.9%. The decrease in our direct cost was primarily due to the decrease in our revenue for the 10 months ended April 30, 2016 compared to the 10 months ended April 30, 2015.

Materials

Our direct cost of materials increased by 4.5%, from HK$53.5 million for the 10 months ended April 30, 2015 to HK$55.9 million for the 10 months ended April 30, 2016. The increase was primarily due to the increase in demands of our millwork and furniture from our major clients, partially off-set by the decrease in our revenue for the 10 months ended April 30, 2016 compared to the 10 months ended April 30, 2015.

Subcontracting

Our direct cost of subcontracting decreased by 85.0%, from HK$15.9 million for the 10 months ended April 30, 2015 to HK$2.4 million for the 10 months ended April 30, 2016. The significant decrease was primarily due to the decrease in our revenue from interior solutions, as it is our strategy to focus more on millwork and furniture provision.

Gross profit and gross margin

As a result of the foregoing, our gross profit decreased by 9.2% from HK$39.3 million for the 10 months ended April 30, 2015 to HK$35.7 million for the 10 months ended April 30, 2016. Our gross profit margin increased from 34.4% for the 10 months ended April 30, 2015 to 35.4% for the 10 months ended April 30, 2016.

Other income

Our other income increased by 50% from HK$2,000 for the 10 months ended April 30, 2015 to HK$3,000 for the 10 months ended April 30, 2016 as a result of the increase in bank interest income.

Other gains

Our other gains decreased from HK$44,000 for the 10 months ended April 30, 2015 to nil for the 10 months ended April 30, 2016 as a result of the decrease in exchange gain due to the change in currency exchange rates of the foreign currency deposit of our Company.

Administrative expenses

Our administrative expenses increased by 17.6% from HK$13.4 million for the 10 months ended April 30, 2015 to HK$15.7 million for the 10 months ended April 30, 2016. The increase in administrative expenses was primarily due to the increase in employee benefit expenses by HK$3.1 million and the increase in number of employees from 19 to 26. The increase in employee benefit expenses by HK3.1 million included a one-off special bonus of HK$1.4 million to the employee for their effort in relation to the preparation of [REDACTED].

[REDACTED]

The [REDACTED] of our Company for the 10 months ended April 30, 2016 was HK$10.6 million, which is one-off in nature and will not affect our future financial performance.

Operating profit

As a result of the foregoing, our operating profit decreased by 63.8% from HK$26.0 million for the 10 months ended April 30, 2015 to HK$9.4 million for the 10 months ended April 30, 2016.

Finance costs

Our finance costs decreased from HK$3,000 for the 10 months ended April 30, 2015 to nil for the 10 months ended April 30, 2016 as a result of the decrease in interests on finance leases due to the termination of our finance leases of office equipment during the year ended June 30, 2015.

Income tax expenses

Our income tax expenses decreased by 28.1% from HK$4.4 million for the 10 months ended April 30, 2015 to HK$3.2 million for the 10 months ended April 30, 2016. The decrease in income tax expenses was primarily due to the decrease in our profit before income tax due to the increase in employee benefit expenses and decrease in gross profit by HK$3.6 million.

Profit for the 10 months

As a result of the foregoing, our profit for the year decreased by 71.1% from HK$21.6 million for the 10 months ended April 30, 2015 to HK$6.2 million for the 10 months ended April 30, 2016. Our net profit margin decreased from 18.9% for the 10 months ended April 30, 2015 to 6.2% for the 10 months ended April 30, 2016, primarily due to the non-deductible [REDACTED] of HK$10.6 million and the increase in employee benefit expenses.

Comparison of the financial year ended June 30, 2015 to the financial year ended June 30, 2014

Revenue

Our revenue increased from HK$113.8 million for the year ended June 30, 2014 to HK$130.6 million for the year ended June 30, 2015, representing an year-on-year increase of 14.7%. The increase in our revenue was primarily due to the increase in revenue from interior solutions because of the expansion of one of our major clients in Asia.

Millwork and furniture provision

Our revenue from millwork and furniture provision decreased from HK$64.7 million for the year ended June 30, 2014 to HK$57.9 million for the year ended June 30, 2015, representing an year-on-year decrease of 10.5%. Our revenue generated from millwork and furniture provision decreased because the demand of interior solutions services increased, leading to our increase in resources allocation to that segment.

Facade development and fabrication

Our revenue from facade development and fabrication decreased from HK$8.3 million for the year ended June 30, 2014 to HK$6.8 million for the year ended June 30, 2015, representing a year-on-year decrease of 18.2%. The decrease in our revenue from facade development and fabrication was primarily due to a change in revenue mix as a result of increased proportion of interior solutions.

Interior solutions

Our revenue from interior solutions increased from HK$40.7 million for the year ended June 30, 2014 to HK$64.8 million for the year ended June 30, 2015, representing an year-on-year increase of 59.0%. The increase in our revenue from interior solutions was primarily due to the increase in demand from our client on this segment, leading to our increase in resources allocation to this segment.

Design and project consultancy

Our revenue from design and project consultancy increased from HK$5,000 for the year ended June 30, 2014 to HK$1,099,000 for the year ended June 30, 2015, representing an year-on-year increase of 21,880.0%. The increase in our revenue from design and project consultancy was primarily due to the engagement of two new clients.

Direct cost

Our direct cost increased from HK$76.8 million for the year ended June 30, 2014 to HK$86.4 million for the year ended June 30, 2015, representing a year-on-year increase of 12.5%. The increase in our direct cost was primarily due to the increase in our revenue for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Materials

Our direct cost of materials increased by 11.3%, from HK$50.4 million for the year ended June 30, 2014 to HK$56.1 million for the year ended June 30, 2015. The increase was primarily due to the increase in our revenue for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Subcontracting

Our direct cost of subcontracting increased by 35.4%, from HK$17.8 million for the year ended June 30, 2014 to HK$24.2 million for the year ended June 30, 2015. The significant increase was primarily due to the increase in our revenue from interior solutions, which was driven by the increase in demand from our client on this segment.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 19.3% from HK$37.0 million for the year ended June 30, 2014 to HK$44.2 million for the year ended June 30, 2015. Our gross profit margin increased from 32.6% for the year ended June 30, 2014 to 33.9% for the year ended June 30, 2015 because of the purchase of millwork and furniture in bulk which created economy of scale.

Other income

Our other income increased by 33.3% from HK$3,000 for the year ended June 30, 2014 to HK$4,000 for the year ended June 30, 2015 as a result of the increase in bank interest income.

Other gains

Our other gains decreased by 85.6% from HK$306,000 for the year ended June 30, 2014 to HK$44,000 for the year ended June 30, 2015.

Administrative expenses

Our administrative expenses increased by 20.1% from HK$13.0 million for the year ended June 30, 2014 to HK$15.6 million for the year ended June 30, 2015. The increase in administrative expenses was primarily due to the increase in employees' compensation levels and the provision of doubtful debts of HK$1.0 million.

Operating profit

As a result of the foregoing, our operating profit increased by 17.6% from HK$24.4 million for the year ended June 30, 2014 to HK$28.6 million for the year ended June 30, 2015.

Finance costs

Our finance costs decreased by 40.0% from HK$5,000 for the year ended June 30, 2014 to HK$3,000 for the year ended June 30, 2015 as a result of the decrease in interests on finance leases due to the reduction on outstanding principal of office equipment under finance leases.

Income tax expenses

Our income tax expenses increased by 16.5% from HK$4.2 million for the year ended June 30, 2014 to HK$4.8 million for the year ended June 30, 2015. The increase in income tax expenses was primarily due to the increase in our profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 17.8% from HK$20.2 million for the year ended June 30, 2014 to HK$23.8 million for the year ended June 30, 2015. Our net profit margin increase from 17.7% for the year ended June 30, 2014 to 18.2% for the year ended June 30, 2015 because of the increase in gross profit.

Comparison of the financial year ended June 30, 2014 to the financial year ended June 30, 2013

Revenue

Our revenue decreased from HK$123.8 million for the year ended June 30, 2013 to HK$113.8 million for the year ended June 30, 2014, representing an year-on-year decrease of 8.1%. The decrease in our revenue was primarily due to the decrease in the revenue generated from interior solutions, which is partially off-set by the increase in revenue generated from our millwork and furniture provision.

Millwork and furniture provision

Our revenue from millwork and furniture provision increased from HK$38.4 million for the year ended June 30, 2013 to HK$64.7 million for the year ended June 30, 2014, representing an year-on-year increase of 68.4%. The increase in our revenue from millwork and furniture provision was primarily due to the global launch of new concept by one of our major clients which increased our revenue generated from millwork and furniture provision for the year ended June 30, 2014.

Facade development and fabrication

Our revenue from facade development and fabrication decreased from HK$16.2 million for the year ended June 30, 2013 to HK$8.3 million for the year ended June 30, 2014, representing a year-on-year decrease of 48.3%. The decrease in our revenue from facade development and fabrication was primarily due to the increase in demand of millwork and furniture provision, leading to our increase in resources allocation to that segment.

Interior solutions

Our revenue from interior solutions decreased from HK$69.1 million for the year ended June 30, 2013 to HK$40.7 million for the year ended June 30, 2014, representing an year-on-year decrease of 41.1%. The decrease in our revenue from interior solutions was primarily due to the completion of a major interior solutions project of one of our major clients in the year ended 30 June 2013 and our strategy to focus more on millwork and furniture provision.

Design and project consultancy

Our revenue from design and project consultancy decreased from HK$35,000 for the year ended June 30, 2013 to HK$5,000 for the year ended June 30, 2014, representing an year-on-year decrease of 85.7%. The decrease in our revenue from design and project consultancy was primarily due to normal business fluctuation.

Direct cost

Our direct cost decreased from HK$90.4 million for the year ended June 30, 2013 to HK$76.8 million for the year ended June 30, 2014, representing a year-on-year decrease of 15.1%. The decrease in our direct cost was primarily due to the decrease in our revenue for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Materials

Our direct cost of materials decreased by 14.5%, from HK$58.9 million for the year ended June 30, 2013 to HK$50.4 million for the year ended June 30, 2014. The decrease was primarily due to the decrease in our revenue for the year ended June 30, 2014 compared to the year ended June 30, 2013 and our improvement of production methodology and cost control measures.

Subcontracting

Our direct cost of subcontracting decreased by 29.7%, from HK$25.4 million for the year ended June 30, 2013 to HK$17.8 million for the year ended June 30, 2014. The decrease was primarily due to the decrease in our revenue from interior solutions.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 11% from HK$33.4 million for the year ended June 30, 2013 to HK$37.0 million for the year ended June 30, 2014. Our gross profit margin increased from 27% for the year ended June 30, 2013 to 32.6% for the year ended June 30, 2014, primarily due to our improvement of production methodology and cost control measures as reflected in drop of direct costs during the same period.

Other income

Our other income remained at HK$3,000 for the year ended June 30, 2013 and 2014.

Other gains

Our other gains increased from nil for the year ended June 30, 2013 to HK$0.3 million for the year ended June 30, 2014 as a result of the increase in exchange gain.

Administrative expenses

Our administrative expenses increased by 3.9% from HK$12.5 million for the year ended June 30, 2013 to HK$13.0 million for the year ended June 30, 2014. The increase in administrative expenses was primarily due to the increase in employees' compensation levels and the increase in depreciation expenses.

Operating profit

As a result of the foregoing, our operating profit increased by 16.8% from HK$20.8 million for the year ended June 30, 2013 to HK$24.4 million for the year ended June 30, 2014.

Finance costs

Our finance costs decreased by 28.6% from HK$7,000 for the year ended June 30, 2013 to HK$5,000 for the year ended June 30, 2014 as a result of the decrease in interests on finance leases due to the reduction on outstanding principal of the equipment under finance leases.

Income tax expenses

Our income tax expenses increased by 18.2% from HK$3.5 million for the year ended June 30, 2013 to HK$4.2 million for the year ended June 30, 2014. The increase in income tax expenses was primarily due to the increase in our profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 16.5% from HK$17.3 million for the year ended June 30, 2013 to HK$20.2 million for the year ended June 30, 2014. Our net profit margin increase from 14.0% for the year ended June 30, 2013 to 17.7% for the year ended June 30, 2014 because we gravitated towards projects with higher profitability.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

		As at June 30,			As at April 30,
		2013	**2014**	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*13*	538	1,068	561	1,155
		538	1,068	561	1,155
Current assets					
Amounts due from customers for contract work	*14*	1,493	542	—	—
Trade and other receivables	*15*	27,093	29,598	18,454	28,427
Amount due from a director	*16*	6,339	750	—	—
Amounts due from related companies	*16*	880	882	25	—
Cash and cash equivalents	*17*	34,843	23,027	30,046	24,843
		70,648	54,799	48,525	53,270
Total assets		71,186	55,867	49,086	54,425
Current liabilities					
Amounts due to customers for contract work	*14*	2,960	289	—	—
Trade and other payables	*18*	54,698	42,146	29,344	36,807
Amount due to a director	*16*	—	—	3,699	10,655
Amount due to a related company	*16*	169	—	—	—
Obligation under finance leases	*19*	31	33	—	—
Current tax liabilities		3,754	7,600	6,535	3,310
		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					
Obligation under finance leases	*19*	92	59	—	—
Deferred tax liabilities	*20*	12	64	49	28
		104	123	49	28
Total liabilities		61,716	50,191	39,627	50,800
NET ASSETS		9,470	5,676	9,459	3,625
Capital and Reserves					
Share capital	*21*	100	125	125	—
Reserves	*22*	9,370	5,551	9,334	3,625
TOTAL EQUITY		9,470	5,676	9,459	3,625

Property, plant and equipment

Our property, plant and equipment primarily consist of furniture and fixtures, office equipment and motor vehicles. We had property, plant and equipment of HK$0.5 million, HK$1.1 million, HK$0.6 million and HK$1.2 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. Our property, plant and equipment increased by 98.5% from HK$0.5 million as at June 30, 2013 to HK$1.1 million as at June 30, 2014 primary due to the purchase of motor vehicles. Our property, plant and equipment decreased by 47.5% from HK$1.1 million as at June 30, 2014 to HK$0.6 million as at June 30, 2015 because the increase in accumulated depreciation is larger than the increase in office equipment. Our property, plant and equipment increased by 105.9% from HK$0.6 million as at June 30, 2015 to HK$1.2 million as at April 30, 2016 primary due to the purchase of furniture and fixtures and office equipment.

Amounts due from/to customers for contract work

Our revenue from interior solutions is recognized based on the stage of completion of the contracts, provided that the stage of contract completion and the contract costs of the contracting work can be measure reliably. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers.

The following table sets forth the details of our amount due from/to customers for contract work:

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracts in progress at the end of reporting periods:				
Contract costs incurred	16,491	11,886	—	773
Recognised profits less recognised losses	5,195	2,573	—	348
	21,686	14,459	—	1,121
Less: progress billings	(23,153)	(14,206)	—	(1,121)
	(1,467)	253	—	—
Represented by:				
Amounts due from customers for contract work	1,493	542	—	—
Amounts due to customers for contract work	(2,960)	(289)	—	—
	(1,467)	253	—	—

Our amounts due from customers for contract work was HK$1.5 million, HK$0.5 million, nil and nil as at June 30, 2013, 2014 and 2015 and April 30, 2016. The continuous decrease in our amounts due from customers for contract work is primarily due to the completion of interior solutions projects before June 30, 2015 and April 30, 2016.

Our amounts due to customers for contract work was HK$3.0 million, HK$0.3 million, nil and nil as at June 30, 2013, 2014 and 2015 and April 30, 2016. The continuous decrease in our amount due to customers for contract work is primary due to the completion of interior solutions projects before June 30, 2015 and April 30, 2016.

Trade and other receivables

Our trade and other receivables primarily consist of trade receivables, retention receivables, other receivables and prepayments. We had trade and other receivables of HK$27.1 million, HK$29.6 million, HK$18.5 million and HK$28.4 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

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

	As at June 30,			As at April 30,
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	11,073	14,331	9,956	19,150
Retention receivables	446	—	1,640	617
Other receivables	1,079	3,461	399	924
Prepayments	14,495	11,806	6,459	7,736
	27,093	29,598	18,454	28,427

Trade receivables

Our trade receivables are non-interest bearing and our Group does not hold any collateral or other credit enhancements over these balances. During the Track Record Period, we had trade receivables of HK$11.1 million, HK$14.3 million, HK$10.0 million and HK$19.2 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

	As at June 30,			As at April 30,
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	11,073	14,331	9,956	19,150
Less: provision for impairment on trade receivables	—	—	—	—
	11,073	14,331	9,956	19,150

Our trade receivables was primarily in line with our revenue during Track Record Period. Our trade receivables increased by 29.4% from HK$11.1 million as at June 30, 2013 to HK$14.3 million as at June 30, 2014 and decreased by 30.5% from HK$14.3 million as at June 30, 2014 to HK$10.0 million as at June 30, 2015. Our Group's business is project-based of which our trade receivable is subject to the progress and number of projects as at the reporting date. Our trade receivables increased by 92.3% from HK$10.0 million as at June 30, 2015 to a normal level of HK$19.2 million as at April 30, 2016 primary due to the 60 days credit period granted to our major client in Americas with an outstanding trade receivable of HK$2.5 million as at April 30, 2016 and the completion of a project close to the end of the 10 months period.

Except for one client with 60 days credit period granted, no credit period is granted by our Group to our customers but application for progress payment of projects is made on a regular basis. The table below sets forth an aging analysis of our trade receivables presented based on the invoice dates:

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month	5,712	3,745	4,646	5,143
1 to 3 months	693	5,222	4,468	7,272
3 months to 6 months	321	915	388	6,223
More than 6 months but less than one year	2,330	2,490	—	512
More than one year	2,017	1,959	454	—
	11,073	14,331	9,956	19,150

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

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	300	—	—	—
Impairment losses recognised	67	2	965	—
Bad debts written off	(367)	(2)	(965)	—
At the end of the year/period	—	—	—	—

The aging debt profile of trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable. Our Group would assess the recoverability problem of individual clients with outstanding balance aged over 90 days. Management would consider their actual situation, such as whether they have continuity in projects, the reason of delay in settlement, the length of relationship and the liquidity of the clients. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aging analysis of the trade receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of profit or loss and other comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of our Group.

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

	Year ended June 30,			10 months ended April 30,
	2013	**2014**	**2015**	**2016**
Trade receivables turnover days[1]	36	41	34	44

Note:

1. Trade receivables turnover days were calculated based on the averaged of the opening and closing trade receivables divided by revenue for the relevant year multiplied by 365. Trade receivables turnover days for the 10 months ended April 30, 2016 was calculated based on the averaged of the opening and closing trade receivables divided by revenue for the relevant six months multiplied by 365 and divided by two.

Our average trade receivables turnover days had been stable for the three years ended June 30, 2015. Our average trade receivable turnover days increased to 44 days for the 10 months ended April 30, 2016 because a 60 days credit period was granted to one of our new client.

Up to August 22, 2016, HK$16.8 million of trade receivable have been settled by our clients after the Track Record Period.

Retention receivables

Retention receivables are monies withheld by customers of contract works are released after completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. During the Track Record Period, we had retention receivables of HK$0.4 million, nil, HK$1.6 million and HK$0.6 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. The retention receivables are related to customers for whom there was no recent history of default.

Other receivables

Our other receivables primarily consist of amount due from an independent third party for the purchase of materials on their behalf, utility deposits and staff advance for travelling expenses. During the Track Record Period, we had other receivables of HK$1.1 million, HK$3.5 million, HK$0.4 million and HK$0.9 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. As of Latest Practicable Date, HK$0.2 million of such amount was settled.

Prepayments

Our prepayments mainly represents the advanced payment to suppliers. During the Track Record Period, we had prepayments of HK$14.5 million, HK$11.8 million, HK$6.5 million and HK$7.7 million as at June 30, 2013, 2014 and 2015 and April 30, 2016. For the period ended April 30, 2016, there was prepayment of [REDACTED] of HK$3.3 million.

Amounts due from/to a Director and related parties

During the Track Record Period, we entered into various transactions with our Director and related parties. The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a Director	6,339	750	—	—
Amount due from related companies	880	882	25	—
Amount due to a Director	—	—	3,699	10,655
Amount due to a related company	169	—	—	—

During the Track Record Period, all the above related parties were beneficially owned by Mr. Lee and all the amount due from/to a Director was from Mr. Lee. The amount due from/to a Director and related parties are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. The amount due from a Director during the Track Record Period was the advance to Mr. Lee. For details of these amounts due from/to a Director and related parties, see note 16 to the accountants' report included in Appendix I to this document.

Trade and other payables

Our trade and other payables primarily consist of trade payables, receipts in advance, other payables and accruals and deferred revenue arising from customer incentive programme. We had trade and other payables of HK$54.7 million, HK$42.1 million, HK$29.3 million and HK$36.8 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

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

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	20,089	16,808	13,445	16,948
Receipts in advance	29,862	20,674	11,403	8,311
Other payables and accruals	4,747	4,664	4,496	11,238
Deferred revenue arising from customer incentive programme	—	—	—	310
	54,698	42,146	29,344	36,807

Trade payables

Our trade payables are non-interest bearing and generally have payment terms of 0 to 90 days. During the Track Record Period, we had trade payables of HK$20.1 million, HK$16.8 million, HK$13.4 million and HK$16.9 million as at June 30, 2013, 2014 and 2015 and April 30, 2016.

Our trade payables decreased by 16.3% from HK$20.1 million as at June 30, 2013 to HK$16.8 million as at June 30, 2014, in line with the decrease in our revenue. Our trade payables decreased by 20.0% from HK$16.8 million as at June 30, 2014 to HK$13.4 million as at June 30, 2015 due to early settlement from one of our major clients. Our trade payables increased by 26.1% from HK$13.4 million as at June 30, 2015 to HK$16.9 million as at April 30, 2016. Our Company intended to utilize the credit period granted by our suppliers in order to off-set the 60 days credit period we granted to one of our new clients.

The table below sets forth an aging analysis of our trade payables during the Track Record Period presented based on the invoice dates:

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current or less than 1 month	4,915	4,640	2,663	4,209
1 to 3 months	7,589	3,183	4,717	2,310
4 to 6 months	2,842	3,127	1,709	6,994
7 to 12 months	2,359	2,955	4,196	2,705
More than 1 year	2,384	2,903	160	730
	20,089	16,808	13,445	16,948

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

	Year ended June 30,			10 months ended April 30,
	2013	2014	2015	2016
Trade payables turnover days[1]	82	88	64	71

Note:

1. Trade payables turnover days were calculated based on the averaged of the opening and closing trade payables divided by direct cost for the relevant year multiplied by 365.

Our average trade payables turnover days had been stable and within the credit period granted by our suppliers.

Up to the Latest Practicable Date, we have settled trade payables of HK$14.6 million after the Track Record Period.

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

Current tax liabilities

We had current tax liabilities of HK$3.8 million, HK$7.6 million, HK$6.5 million, and HK$3.3 million as at June 30, 2013, 2014 and 2015 and April 30, 2016, such amounts were mainly attributable to Crosstec International which recorded current tax liabilities of HK$3.7 million, HK$7.6 million, HK$6.5 million and HK$3.1 million respectively during the same periods. The provision for current tax liabilities attributable to other group companies were not material.

Since Crosstec International adopts June 30 as its financial year end date, the Hong Kong profits tax filing for a taxpayer who adopts June 30 as its financial year would be due in early May of the following year and the profits tax payment (including provisional tax for next year of assessment) would be due in early November of the same year. In this situation, the profits tax payment in relation to a particular financial year (including provisional tax for next financial year) would normally be made in approximately 16 months after end of the financial year concerned. The profits tax paid by Crosstec International during the years ended June 30, 2013, 2014 and 2015 were HK$0.7 million, HK$0.2 million, HK$6.0 million, respectively. The amounts were substantially lower than the current tax liabilities recognised in Crosstec International which was mainly due to the timing difference in the recognition of provision for current tax liabilities and the profits tax payment made to the Government of Hong Kong as explained above.

The current tax liabilities of Crosstec International recognised as at April 30, 2016 was significantly reduced to HK$3.1 million due to the profits tax payment of HK$6.4 million made during the 10 months period ended April 30, 2016. Crosstec International's current tax liabilities of HK$3.1 million as at April 30, 2016 was at the similar level as to its provision for current tax charged to its Statement of Comprehensive Income during the 10 months period ended April 30, 2016 with an amount of HK$3.0 million.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our business operations and expansion plans require a significant amount of capital, including the expansion of our design and creative team, establishment of research and development workshop, setting up a sales and marketing team and overseas offices. Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from operations.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended June 30,			10 months ended April 30,	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
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	(36)	(11)	(95)	(95)	—
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	10,906	34,843	23,027	23,027	30,046
Cash and cash equivalents at end of year/period	34,843	23,027	30,046	34,205	24,843

Operating activities

We derived our cash inflow from operating activities primarily through provision of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy. Cash outflow from operating activities primarily comprises direct cost, administrative expenses, employee benefit expenses and other operating expenses. Our net cash from operating activities reflects our profit or loss before income tax, as adjusted for non-cash items, such as depreciation of property, plant and equipment and the effects of changes in working capital items.

For the 10 months ended April 30, 2016, we had net cash from operating activities of HK$1.6 million. This amount represents profit for the 10 months before income tax of HK$9.4 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK$0.4 million, unrealized exchange loss of HK$0.7 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the increase in trade and other payables of HK$7.5 million, and (ii) offset by the increase in trade and other receivables of HK$10.0 million. The significant 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. Up to the Latest Practicable Date, HK$12.1 million of trade receivable have been settled by our clients after the Track Record Period.

For the year ended June 30, 2015, we had net cash from operating activities of HK$22.6 million. This amount represent profit for the year before income tax of HK$28.6 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK$0.5 million, unrealized exchange loss of HK$0.8 million, impairment on trade receivables of HK$1.0 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in trade and other receivables of HK$10.2 million and the decrease in amount due from customers for contract work of HK$0.5 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the decrease in trade and other payables of HK$12.8 million and the decrease in amounts due to customers for contract work of HK$0.3 million.

For the year ended June 30, 2014, we had net cash from operating activities of HK$7.6 million. This amount represent profit for the year before income tax of HK$24.3 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK$0.5 million, unrealized exchange gain of HK$0.2 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in amount due from customers for contract work of HK$1.0 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the increase in trade and other receivables of HK$2.5 million, the decrease in trade and other payables of HK$12.6 million and the decrease in amounts due to customers for contract work of HK$2.7 million. The significant declined in the net cash from operating activities for the year ended June 30, 2014 was primarily due to (i) the increase in trade and other receivables of HK$2.5 million because of the completion of two major projects at the financial year end and yet to be settled by our customers, and (ii) the decrease in trade and other payables of HK$12.6 million because of the early settlement to suppliers and utilization of receipts in advance due to the completion of projects at the financial year end.

For the year ended June 30, 2013, we had net cash from operating activities of HK$34.0 million. This amount represent profit for the year before income tax of HK$20.8 million, (i) adjusted for certain non-cash expenses, mainly depreciation of property, plant and equipment of HK$0.2 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the decrease in trade and other receivables of HK$11,000, the increase in trade and other payables of HK$12.0 million and the increase in amounts due to customers for contract work of HK$3.0 million, and (ii) offset by the increase in amounts due from customers for contract work of HK$1.4 million.

Investing activities

Our cash used in investing activities reflects our cash used in payment for purchases of property, plant and equipment, advance to Director and advance to related companies. Cash inflow from investing activities mainly comprises repayment from Director, repayment from related companies and proceeds from disposal of property, plant and equipment.

For the 10 months ended April 30, 2016, we had net cash outflow from investing activities of HK$6.0 million, primarily attributable to purchases of property, plant and equipment of HK$1.0 million in connection with fixture and fitting and office equipment of a newly leased office premise and advance to Director of HK$5.0 million.

For the year ended June 30 2015, we had net cash outflow from investing activities of HK$14.7 million, primarily attributable to advance to Director of HK$15.6 million and offset by repayment from related companies of HK$0.9 million.

For the year ended June 30, 2014, we had net cash outflow from investing activities of HK$19.6 million, primarily attributable to purchases of motor vehicle of HK$1.0 million, advance to Director of HK$18.4 million and advance to related companies of HK$0.2 million.

For the year ended June 30, 2013, we had net cash outflow from investing activities of HK$10.0 million, primarily attributable to purchases of motor vehicle of HK$0.5 million, advance to Director of HK$8.9 million and advance to related companies of HK$0.6 million.

Financing activities

Our cash used in financing activities reflects our cash used in repayment of finance lease payables and interest paid. Cash inflow from investing activities mainly comprises proceed of issue of new shares on incorporation of a new group company. During the Track Record Period, our cash outflow from financing activities were HK$36,000, HK$11,000, HK$95,000 and nil for the year ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016.

NET CURRENT ASSETS AND LIABILITIES

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

	As at June 30,			As at April 30,	As at June 30,
	2013	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Amounts due from customers for contract work	1,493	542	—	—	1,694
Trade and other receivables	27,093	29,598	18,454	28,427	34,530
Amount due from a Director	6,339	750	—	—	—
Amounts due from related companies	880	882	25	—	—
Cash and cash equivalents	34,843	23,027	30,046	24,843	11,235
Total current assets	70,648	54,799	48,525	53,270	47,459
Current liabilities					
Amounts due to customers for contract work	2,960	289	—	—	—
Trade and other payables	54,698	42,146	29,344	36,807	34,920
Amount due to a director	—	—	3,699	10,655	—
Amounts due to a related company	169	—	—	—	—
Obligation under finance leases	31	33	—	—	—
Current tax liabilities	3,754	7,600	6,535	3,310	4,836
Total current liabilities	61,612	50,068	39,578	50,772	39,756
Net current assets	9,036	4,731	8,947	2,498	7,703

As at June 30, 2016, we had net current assets of HK$7.7 million compared to net current assets of HK$2.5 million as at April 30, 2016, primary due to the increase in trade and other receivable of HK$6.1 million.

As at April 30, 2016, we had net current assets of HK$2.5 million compared to net current assets of HK$8.9 million as at June 30, 2015, primarily due to the increase in trade and other receivables of HK$10.0 million, increase in trade and other payables of HK$7.5 million and increase in amount due to a director of HK$7.0 million.

As at June 30, 2015, we had net current assets of HK$8.9 million compared to net current assets of HK$4.7 million as at June 30, 2014, primarily due to the decrease in amount due from a Director of HK$0.8 million, the increase in cash and cash equivalents of HK$7.0 million and the decrease in trade and other payables of HK$12.8 million.

As at June 30, 2014, we had net current assets of HK$4.7 million compared to net current assets of HK$9.0 million as at June 30, 2013, primarily due to the decrease in cash and cash equivalents of HK$11.8 million.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any material capital expenditures and commitments.

OPERATING LEASES

Our Group leased our office premises and office equipment under operating lease arrangement which were negotiated for terms ranging from one to four years. The table below sets forth details the total future minimum lease payments under our non-cancellable operating leases by due date as of the dates indicated:

	As at June 30,			As at April 30,
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	123	832	903	1,707
Later than one year and not later than five years	—	1,038	373	2,734
	123	1,870	1,276	4,441

INDEBTEDNESS

As at June 30, 2016, for the purpose of the indebtedness statement, we did not have any bank borrowing and other debts. There were no material covenants relating to the indebtedness of our Group as of June 30, 2016.

As at June 30, 2016, we had a banking facility of HK$20.0 million that had not been utilized and was available for drawdown. The banking facility was secured by the unlimited personal guarantees executed by Mr. Lee and Ms. Leung, our Controlling Shareholders, and a charge over deposits of amount ranged from nil to HK$15.0 million maintained at all times depending on the drawdown amount. The maximum amount of unrestricted cash available from the banking facility is HK$5.0 million. Approval-in-principle has been obtained that all personal guarantees given by Mr. Lee and Ms. Leung, our Controlling Shareholders, in favor of this banking facility will be fully released and discharged upon [REDACTED]. As at the Latest Practicable Date, according to our Directors, the banking facility had not been utilized.

Saved as disclosed above, we did not have any bank loans or other borrowings, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of June 30, 2016.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our Company's indebtedness, capital commitments and contingent liabilities since June 30, 2016.

WORKING CAPITAL

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand and cash generated from our operation. We manage our cash flow and working capital by closely monitoring and managing our operations and expansion plans. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, cash flows from operations and net proceeds from the [REDACTED], our Directors believe that we have sufficient working capital for at least the next 12 months from the date of this document.

DISCLOSURE ABOUT MARKET RISKS

Our Group is exposed to a variety of financial risks which comprise credit risk, liquidity risk, interest rate risk and currency risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. Our Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for our Shareholders. As the Directors considers that our Group's exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

For further details, please refer to Note 25 to the accountants' report included in Appendix I to this document.

MAJOR FINANCIAL RATIOS

		As at June 30,		As at April 30,
	2013	**2014**	**2015**	**2016**
	%	%	%	%
Profitability ratios				
Gross profit margin(1)	27.0	32.6	33.9	35.4
Net profit margin(2)	14.0	17.7	18.2	6.2
Return on equity(3)	182.9	355.5	251.4	206.1
Return on total assets(4)	24.3	36.1	48.5	13.7

		As at June 30,		As at April 30,
	2013	**2014**	**2015**	**2016**
	times	*times*	*times*	*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.

See the section headed "Financial Information — Review of Historical Results of Operation" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on equity

Our return on equity increased from 182.9% for the year ended June 30, 2013 to 355.5% for the year ended June 30, 2014 primarily due to the increase in our net profit. Our return on equity decreased from 355.5% for the year ended June 30, 2014 to 251.4% for the year ended June 30, 2015 primarily due to the increase in our reserves. Our return on equity decreased from 251.4% for the year ended June 30, 2015 to 206.1% for the 10 months ended April 30, 2016 primarily due to the decrease in our net profit.

Return on total assets

Our return on total assets increased from 24.3% for the year ended June 30, 2013 to 36.1% for the year ended June 30, 2014 primarily due to the decrease in total assets due to the decrease in amount due from Director. Our return on total assets increased from 36.1% for the year ended June 30, 2014 to 48.5% for the year ended June 30, 2015 primarily due to the increase in our net profits. Our return on total assets decreased from 48.5% for the year ended June 30, 2015 to 13.7% for the 10 months ended April 30, 2016 primarily due to the decrease in our net profit.

Current ratio

Our current ratio remained stable during the Track Record Period.

Quick ratio

Our quick ratio is the same as current ratio during the Track Record Period because our Group did not hold any inventories.

Gearing ratio

During the Track Record Period, our Group did not have any interest-bearing bank or other borrowings except for obligation under finance lease of HK$0.1 million for the year ended June 30, 2013 and 2014.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in note 23 of the accountants' report set out in Appendix I to this document were conducted on normal commercial terms and/or on terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please also refer to the section headed "Connected Transactions" for further details of the related party transactions.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

FINANCIAL INSTRUMENT

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

DISCLOSURE UNDER THE [REDACTED]

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the [REDACTED] upon the [REDACTED] of the Shares on the [REDACTED].

PROFIT ESTIMATE

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

Estimated consolidated profit attributable to owners of the Company for the year ended June 30, 2016(1)	not less than HK$11.3 million
Unaudited pro forma estimated earnings per Share for the year ended June 30, 2016(2)	not less than HK$0.0047

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Appendix III to this document. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended June 30, 2016 based on the audited consolidated results for the ten months ended April 30, 2016 and the unaudited consolidated results based on management accounts of our Group for the two months ended June 30, 2016.

(2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended June 30, 2016 attributable to owners of the Company, assuming that a total of [REDACTED] Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II of this document for the unaudited pro forma adjusted net tangible assets.

DIVIDEND

In future, declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

Notwithstanding the foregoing, no dividend shall be declared or paid or shall be made otherwise than in accordance with the Companies Law. No distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

For the year ended June 30, 2013, 2014 and 2015 and the 10 months ended April 30, 2016, we declared and distributed dividends of HK$16.1 million, HK$24.0 million, HK$20.0 million and HK$12.0 million, respectively, to our then Shareholders. The HK$12.0 million of declared and distributed dividend for the 10 months ended April 30, 2016 was fully settled in June 2016 by our working capital from operations of HK$10.9 million and offset by the amount due from a Director of HK$1.1 million.

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

DISTRIBUTABLE RESERVES

As at April 30, 2016, our Company had no distributable reserves.

RECENT DEVELOPMENT

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

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

MATERIAL ADVERSE CHANGE SUBSEQUENT TO APRIL 30, 2016

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading position since April 30, 2016, being the end of the period reported on in the accountants' report in Appendix I to this document.