

# MOS HOUSE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1653

## PLACING AND PUBLIC OFFER

Sponsor

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner  
and Joint Lead Manager

 首盛資本集團  
Alpha Financial Group

Joint Bookrunner and Joint Lead Manager

 新城晉峰  
FUTURE LAND RESOURCES

# IMPORTANT

*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

## MOS HOUSE GROUP LIMITED (Incorporated in the Cayman Islands with limited liability)

### PLACING AND PUBLIC OFFER

Number of Offer Shares : 500,000,000 Shares  
Number of Public Offer Shares : 50,000,000 Shares (subject to re-allocation)  
Number of Placing Shares : 450,000,000 Shares (subject to re-allocation)  
Offer Price : not more than HK\$0.25 per Offer Share and  
expected to be not less than HK\$0.19 per Offer  
Share (payable in full in Hong Kong dollars on  
application plus brokerage of 1%, SFC  
transaction levy of 0.0027% and Stock Exchange  
trading fee of 0.005% and subject to refund)  
Nominal value : HK\$0.01 per Share  
Stock code : 1653

Sponsor

**AmCap**  
*Ample Capital Limited*  
豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunner and Joint Lead Manager



Co-managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents in this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 10 October 2018 and, in any event, not later than Monday, 15 October 2018. The Offer Price will be not more than HK\$0.25 and is currently expected to be not less than HK\$0.19.

The information contained herein does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States unless they are registered under applicable law or are exempt from registration under the US Securities Act. The securities mentioned herein have not been, and will not be, registered under the US Securities Act. No public offering of securities will be made in the United States.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, an announcement of the reduction in the number of Offer Shares being offered will be published on our Company's website at [www.rbmsgroup.com](http://www.rbmsgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Public Offer for which details are set out in the sections headed "Structure of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

The obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure applicants for the subscription for, the Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters), if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange. Further details of such termination are set out in the section headed "Underwriting — Public Offer Underwriting Arrangements — Public Offer — Grounds for termination" in this prospectus.

## EXPECTED TIMETABLE <sup>(Note 1)</sup>

Latest time to complete electronic applications under the <b>White Form eIPO</b> service through the designated website at <b>www.eipo.com.hk</b> <sup>(Note 4)</sup> .....	11:30 a.m. on Friday, 5 October 2018
Application lists of the Public Offer open <sup>(Note 2)</sup> .....	11:45 a.m. on Friday, 5 October 2018
Latest time to lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms .....	12:00 noon on Friday, 5 October 2018
Latest time to give <b>electronic application instructions</b> to HKSCC <sup>(Note 3)</sup> .....	12:00 noon on Friday, 5 October 2018
Latest time to complete payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Friday, 5 October 2018
Application lists of the Public Offer close .....	12:00 noon on Friday, 5 October 2018
Expected Price Determination Date on or around <sup>(Note 7)</sup> .....	Wednesday, 10 October 2018
(1) Announcement of	
• the level of applications in the Public Offer;	
• the level of indications of interest in the Placing; and	
• the basis of allotment of the Public Offer Shares	
expected to be published on the Stock Exchange's website at <b>www.hkexnews.com.hk</b> and our Company's website at <b>www.rbmsgroup.com</b> on or before .....	Thursday, 18 October 2018
(2) Results of allocation of the Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus) from .....	Thursday, 18 October 2018
A full announcement of the Public Offer containing (1) and (2) above will be published on the Company's website at <b>www.rbmsgroup.com</b> and the website of the Stock Exchange at <b>www.hkexnews.com.hk</b> from .....	Thursday, 18 October 2018

## EXPECTED TIMETABLE *(Note 1)*

Results of allocations in the Public Offer will be available

at [www.iporesults.com.hk](http://www.iporesults.com.hk)

(alternatively: English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a “search by ID” function from ..... Thursday, 18 October 2018

Despatch/Collection of share certificates in respect of wholly or partially successful applications and wholly or partially unsuccessful applications

pursuant to the Public Offer on or before <sup>(Note 6)</sup> ..... Thursday, 18 October 2018

Despatch of White Form e-Refund payment instructions/refund

cheques in respect of wholly or partially unsuccessful applications

on or before <sup>(Notes 6 and 7)</sup> ..... Thursday, 18 October 2018

Dealings in Shares on the Stock Exchange to

commence at 9:00 a.m. on ..... Friday, 19 October 2018

*Notes:*

- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Share Offer, including conditions of the Share Offer, are set forth in the section headed “Structure of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 2018, the application lists will not open and close on that day. See the section headed “How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (4) You will not be permitted to submit your application to the **White Form eIPO** service provider through the designated website [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) Refund cheques or e-Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (6) Applicants who apply via **White Form eIPO** or with **WHITE** application forms for 1,000,000 Public Offer Shares or more under the Public Offer, may collect refund cheques, if any, and (where applicable) share certificates in person from the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 18 October 2018. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chops. Identification and authorisation documents (where applicable) acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

## EXPECTED TIMETABLE *(Note 1)*

Applicants who apply with **YELLOW** application forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheques (if any) but may not elect to collect the share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** application form applicants is the same as that for **WHITE** application form applicants.

Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Public Offer Shares — 13. Refund of application monies" in this prospectus.

- (7) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Wednesday, 10 October 2018, and in any event no later than Monday, 15 October 2018. If, for any reason, the Offer Price is not agreed by Monday, 15 October 2018 between the Sole Global Coordinator (for and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse.

**Share certificates will only become valid certificates of title provided that, no later than 8:00 a.m. on the Listing Date, the Share Offer has become unconditional and neither the Underwriting Agreement nor the Placing Agreement has been terminated in accordance with its terms. If any of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms therein, our Company will make an announcement as soon as possible. No dealings in the Offer Shares should take place prior to the commencement of dealings in the Shares on the Stock Exchange. Investors who trade the Offer Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.**

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*This prospectus is issued by MOS House Group Limited solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus or the related Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide whether to invest in our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW

We are a retailer and supplier of overseas manufactured tiles <sup>(1)</sup> in Hong Kong, specialising in high-end <sup>(2)</sup> European imported porcelain, ceramic and mosaic tiles. According to Ipsos, we were the largest player in the overseas manufactured tile retailing industry in Hong Kong in 2017 in terms of revenue, with an approximately 27.2% market share. According to Ipsos, we operated the largest number of retail shops for overseas manufactured tiles and carried the largest number of overseas brands of tile products as of August 2018 in Hong Kong. As a testament of our success, we were awarded the Ceramica Distributor Award 2015 in September 2015 by Confindustria Ceramica, which is a highly-recognised association of Italian ceramic tile and refractory material manufacturers, according to Ipsos. We were one of the few tile retailers/distributors in Asia-Pacific region being awarded with such honourable award, based on an assessment of a number of criteria, including history of the company, competence and degree of professionalism over the years and investments made for promoting Italian ceramic tiles.

### Business model

We base our operations vastly on our retail business of overseas manufactured tile and, to a lesser extent, bathroom fixtures in Hong Kong. As at the Latest Practicable Date, we operated 18 retail shops, all strategically located at prime retail locations in Hong Kong for home improvement, remodelling and furnishing materials.

Apart from retail sale, we also supply tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sell tiles and bathroom fixtures to distributors located in the PRC. We are not engaged in the production process of our products. Please refer to the section headed “Business — Our business model” in this prospectus for further details of our business model.

The following table sets out a breakdown of our revenue by sales channel for the years indicated:

	2015		For the year ended 31 March				2018	
	HK\$'000	%	2016 HK\$'000	%	2017 HK\$'000	%	HK\$'000	%
Retail sales	152,388	87.7	147,610	73.0	145,607	79.4	144,361	75.6
Non-retail sales								
— Project sales	13,280	7.6	17,268	8.5	11,730	6.4	18,857	9.9
— Distribution sales	5,119	2.9	30,834	15.3	18,311	9.9	23,745	12.5
— Others <sup>(1)</sup>	3,018	1.8	6,400	3.2	7,796	4.3	3,876	2.0
Subtotal for non-retail sales	21,417	12.3	54,502	27.0	37,837	20.6	46,478	24.4
Total	173,805	100.0	202,112	100.0	183,444	100.0	190,839	100.0

*Note:*

(1) Others primarily refer to direct sourcing.

*Notes:*

- (1) All tiles in the tile retailing industry of Hong Kong are imported in the absence of local production. According to Ipsos, overseas manufactured tiles refer to tiles imported from countries other than the PRC, generally Italy, Spain, Dubai and Southeast Asia.
- (2) According to Ipsos, tiles which are priced at HK\$80 or above per sq. ft. are considered luxury tiles, tiles priced at HK\$40 to below HK\$80 per sq. ft. are considered high-end tiles, and tiles priced at below HK\$40 per sq. ft. are considered mass-market in the tile industry.



## SUMMARY

The following table sets out the product margin by sales channel for the years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
Retail sales	68.9%	73.1%	74.0%	75.8%
Non-retail sales				
— Project sales	50.8%	60.2%	41.3%	38.7%
— Distribution sales	19.4%	65.7%	63.3%	53.0%
— Others	50.5%	55.8%	71.6%	63.1%
Overall for non-retail sales	43.3%	62.8%	58.2%	48.0%

### Our products

Our products are classified into: (i) tile products (including porcelain, ceramic and mosaic tiles); and (ii) bathroom fixtures (including bath tubs, wash basins and other accessories) and others. During the Track Record Period, our revenue was mainly derived from the sale of tile products, which accounted for approximately 98.5%, 97.0%, 98.5% and 96.9% of our total revenue, respectively.

The following table sets forth our sales revenue by products and as percentage of our total revenue for the years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tile products								
— Porcelain tiles	159,947	92.0	182,666	90.4	165,763	90.4	173,997	91.2
— Ceramic tiles	5,327	3.1	7,813	3.9	10,706	5.8	5,661	3.0
— Mosaic tiles	5,883	3.4	5,474	2.7	4,176	2.3	5,275	2.7
Subtotal for tile products	<u>171,157</u>	<u>98.5</u>	<u>195,953</u>	<u>97.0</u>	<u>180,645</u>	<u>98.5</u>	<u>184,933</u>	<u>96.9</u>
Bathroom fixtures and others <sup>(1)</sup>	<u>2,648</u>	<u>1.5</u>	<u>6,159</u>	<u>3.0</u>	<u>2,799</u>	<u>1.5</u>	<u>5,906</u>	<u>3.1</u>
Total	<u><u>173,805</u></u>	<u><u>100.0</u></u>	<u><u>202,112</u></u>	<u><u>100.0</u></u>	<u><u>183,444</u></u>	<u><u>100.0</u></u>	<u><u>190,839</u></u>	<u><u>100.0</u></u>

Note:

(1) Others primarily include cementitious materials for the installation of tiles.

From 2014, we had entered into certain exclusive distribution agreements with certain suppliers. As a result, we generated revenue from our products with exclusive distribution rights amounting to approximately HK\$9.8 million, HK\$95.6 million, HK\$72.0 million and HK\$69.6 million; and representing approximately 5.6%, 47.3%, 39.3% and 36.5% of our total revenue for the four years ended 31 March 2018, respectively.

Out of the total revenue from our products with exclusive distribution rights, for the four years ended 31 March 2018, the revenue from our tile products with exclusive distribution rights were approximately HK\$9.6 million, HK\$90.7 million, HK\$70.7 million and HK\$66.6 million, respectively, while the revenue from our bathroom fixtures and others with exclusive distribution rights were approximately HK\$0.2 million, HK\$4.9 million, HK\$1.3 million and HK\$3.0 million, respectively.

## SUMMARY

The following table sets out the sales volume of our tile products by product sub-category for the years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%
Tile products								
— Porcelain tiles	2,984	95.0	3,371	93.7	3,019	91.6	3,303	95.8
— Ceramic tiles	126	4.0	203	5.6	259	7.9	124	3.6
— Mosaic tiles	32	1.0	26	0.7	16	0.5	19	0.6
<b>Total</b>	<b>3,142</b>	<b>100.0</b>	<b>3,600</b>	<b>100.0</b>	<b>3,294</b>	<b>100.0</b>	<b>3,446</b>	<b>100.0</b>

The following table sets out the product margin of our tile products by product sub-category for the years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
Tile products				
— Porcelain tiles	65.5%	70.5%	70.7%	68.9%
— Ceramic tiles	67.7%	67.1%	66.6%	72.1%
— Mosaic tiles	67.3%	69.1%	80.7%	80.0%
<b>Overall</b>	<b>65.6%</b>	<b>70.3%</b>	<b>70.7%</b>	<b>69.3%</b>

### Our pricing policy

We set our retail prices based on the purchase cost plus mark-up, which is determined by a number of factors including the market conditions, the historical and forecasted sales performance of each particular product and the inventory level of that particular product. The following table sets out the average unit selling price of our tile products by product sub-category for the years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$/sq. ft.	HK\$/sq. ft.	HK\$/sq. ft.	HK\$/sq. ft.
Tile products				
— Porcelain tiles	53.6	54.2	54.9	52.7
— Ceramic tiles	42.3	38.5	41.3	45.7
— Mosaic tiles	183.8	210.5	261.0	277.6
<b>Overall</b>	<b>54.5</b>	<b>54.4</b>	<b>54.8</b>	<b>53.7</b>

### Our cost structure

The following table sets out the amounts of our major costs of business operations, including cost of inventories sold, staff costs and property rentals and related expenses for the years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold	59,490	59,922	53,756	59,022
Staff costs	19,682	20,526	20,127	21,370
Property rentals and related expenses	38,743	46,474	50,183	50,190

During the Track Record Period, cost of inventories sold, staff costs and property rentals and related expenses were our major costs of business operations, in aggregate representing approximately 67.8%, 62.8%, 67.6% and 68.4% of our total revenue, respectively. For the four years ended 31 March 2018, cost of inventories sold was one of our largest cost of business operations, representing approximately 34.2%, 29.6%, 29.3% and 30.9% of our total revenue, respectively, while staff costs and property rentals and related expenses represented approximately 11.3%, 10.2%, 11.0% and 11.2%; and 22.3%, 23.0%, 27.4% and 26.3% of our total revenue, respectively. These costs in aggregate remained at a stable level as a percentage of our total revenue for the four years ended 31 March 2018.

## SUMMARY

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include, among others, the following: (i) being a market leader in the overseas manufactured tile retailing industry in Hong Kong; (ii) being a trendsetter in the overseas manufactured tile retailing industry with a portfolio of diverse brands of products and having a proven track record of successful brand and product management; and (iii) having an extensive retail network at prime locations supported by an ample inventory supply.

### OUR BUSINESS STRATEGIES

We aim to maintain and further strengthen our position as the market leader in the overseas manufactured tile retailing industry in Hong Kong by adopting the following strategies: (i) strengthening our leading position in Hong Kong; (ii) expanding our product mix and enhancing the diversity of our product offerings; (iii) pursuing strategic acquisition opportunities; and (iv) expanding our sales network in the PRC market.

### OUR CUSTOMERS AND SUPPLIERS

Our customers comprise retail customers, project customers, distributors and corporate customers. During the Track Record Period, approximately 87.7%, 73.0%, 79.4% and 75.6% of our revenue was generated from sale to retail customers respectively. We source our tiles and bathroom fixtures from Italian and Spanish manufacturers. We have developed and maintained strong and successful relationships with these European tile manufacturers and have been the exclusive distribution channel of some of these European tile manufacturers in Hong Kong, Macau and/or China. For further details regarding our customers and suppliers, please refer to the section headed “Business — Customers” and “Business — Suppliers and procurement” in this prospectus respectively.

### SUMMARY OF MATERIAL RISK FACTORS

We believe that there are certain risks involved in our operations. The most significant risks that we are facing are: (i) our business and results of operations are susceptible to fluctuations in the market prices and demand for tiles; (ii) our success is dependent on our ability to respond to changes in consumer preferences, perception or consumption patterns; (iii) we are affected by the level of demand in the real estate development industry; (iv) economic downturn and adverse market conditions in Hong Kong and the PRC could materially and adversely affect our business; (v) disruptions in our relationships with our suppliers could materially and adversely affect our business; and (vi) we are exposed to foreign currency exchange fluctuations.

These risks are not the only significant risks that may affect the value of our Shares. Please refer to the section headed “Risk Factors” in this prospectus for further discussion.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out our selected financial information for the four years ended 31 March 2018 as derived from the accountants’ report set out in Appendix I to this prospectus:

#### Selected information from consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	173,805	202,112	183,444	190,839
Profit before taxation	40,074	22,168	37,644	22,644
Profit and total comprehensive income for the year attributable to:				
Owners of our Company	33,014	14,229	30,637	17,077
Non-controlling interests	<u>5</u>	<u>124</u>	<u>35</u>	<u>29</u>
	<u>33,019</u>	<u>14,353</u>	<u>30,672</u>	<u>17,106</u>

## SUMMARY

For the three years ended 31 March 2018, our adjusted net profit for the year attributable to owners of our Company (after excluding our listing expenses of approximately HK\$12.0 million, HK\$1.2 million and HK\$9.1 million for the years ended 31 March 2016, 2017 and 2018 respectively, which were not expenses related to the ordinary and usual course of business) was approximately HK\$26.3 million, HK\$31.8 million and HK\$26.1 million respectively. Hence, we are able to satisfy the profit requirement under Rule 8.05(1) of the Listing Rules. Nevertheless, the adjusted net profit attributable to owners after excluding the listing expenses is a non-HKFRS financial measure. We use the adjusted net profit as an additional non-HKFRS financial measure to supplement our consolidated financial statements which are prepared in accordance with HKFRSs. A non-HKFRS financial measure is a numerical measure that adjusts the most directly comparable measure determined in accordance with HKFRS. Such measures provide supplemental information regarding a company's financial position, performance, cash flow, or liquidity. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit or loss for the relevant period. In light of the foregoing limitations for this non-HKFRS measure, when assessing our operating and financial performance, you should not consider the adjusted net profit in isolation or as a substitute for our profit or loss for the period, operating profit or any other operating performance measure that is calculated in accordance with HKFRS. Besides, as this non-HKFRS measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

### Selected information from consolidated statements of financial position

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Current assets	238,395	270,673	247,240	287,930
Non-current assets	20,094	23,716	23,019	21,339
Current liabilities	187,125	232,009	177,207	199,111
Non-current liabilities	3,337	—	—	—
Net current assets	51,270	38,664	70,033	88,819
Net assets	68,027	62,380	93,052	110,158

We had relatively higher current liabilities as at 31 March 2016 as compared to other financial year ends primarily because of (i) an increase in our other payables and accruals mainly due to the accrual of our listing expenses, the payable of the late payment surcharge for our overdue profits tax and increases in accrued staff and rental expenses; and (ii) an increase in our total debts (including bank borrowings and obligations under finance leases) mainly due to increased bank borrowings for short term financing of our business operations and a new finance lease in respect of a motor vehicle purchased.

### Inventories

During the Track Record Period, we had long average inventory turnover days which were approximately 307.5 days, 377.0 days, 433.5 days and 416.0 days, respectively. Our average inventory turnover days generally increased during the Track Record Period primarily due to (i) our continuous expansion of product portfolio which required us to maintain a higher inventory level of our products to accommodate such product offering to fulfil various needs from our retail customers during the Track Record Period; and (ii) our continuous introduction of new products sourced from overseas suppliers' network that we believed to be adequate in our warehouses to avoid any shortage of supplies and to ensure timely delivery of our products. However, such large inventory storage to cope with our large tile retailing network and the spare quantities of tile from each batch of bulk purchases for our project and corporate customers would also result in more leftover tiles which attribute to our long inventory turnover days. According to Ipsos, such long inventory turnover days are in line with industry norm.

## SUMMARY

### Selected information from consolidated statements of cash flows

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities	37,049	1,322	30,905	5,825
Net cash (used in)/from investing activities	(16,638)	(30,403)	30,797	(23,391)
Net cash (used in)/from financing activities	<u>(18,074)</u>	<u>25,604</u>	<u>(44,128)</u>	<u>4,182</u>
Net increase/(decrease) in cash and cash equivalents	2,337	(3,477)	17,574	(13,384)
Cash and cash equivalents at the beginning of the year	<u>3,258</u>	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>
Cash and cash equivalents at the end of the year	<u><u>5,595</u></u>	<u><u>2,118</u></u>	<u><u>19,692</u></u>	<u><u>6,308</u></u>

We had relatively lower operating cash inflows for the year ended 31 March 2016 as compared to other financial years, which were primarily attributable to (i) the increase in trade receivables of approximately HK\$15.3 million mainly due to an increase in credit sales to distributors located in the PRC; (ii) payment of tax penalty of approximately HK\$10.6 million; and (iii) payment of listing expenses of approximately HK\$10.4 million.

### Key operational and financial ratios

The table below sets out our certain key operational and financial ratios as at the dates/for the years indicated:

	For the year ended/As at 31 March			
	2015	2016	2017	2018
Average number of retail shops <sup>(1)</sup>	16.0	17.1	18.0	17.9
Average monthly revenue per retail shop (HK\$'000) <sup>(2)</sup>	794	720	674	672
Product margin <sup>(3)</sup>	65.8%	70.4%	70.7%	69.1%
Net profit margin (%)	19.0%	7.1%	16.7%	9.0%
Current ratio (times)	1.3	1.2	1.4	1.4
Quick ratio (times)	1.0	0.9	1.1	1.1
Gearing ratio (times) <sup>(4)</sup>	2.1	2.8	1.4	1.2
Debt-to-equity ratio (times)	2.0	2.8	1.1	1.2
Return on total assets (%)	12.8%	4.9%	11.3%	5.5%
Return on equity (%)	48.5%	23.0%	33.0%	15.5%
Interest coverage ratio (times)	12.2	6.7	10.9	6.3

#### Notes:

- (1) Average number of retail shops equals to the average of the month end number of our retail shops for the financial year.
- (2) Average monthly revenue per retail shop is equal to our revenue from retail sales for the financial year divided by the average number of retail shops and number of months for the financial year.
- (3) Product margin is calculated by dividing (i) the difference between our revenue and cost of inventories sold by (ii) our revenue, multiplied by 100%.
- (4) Gearing ratio equals to our total interest-bearing debts (being the sum of our bank borrowings and obligations of finance leases) divided by our total equity as at the year end date.

Our product margin increased from approximately 65.8% for the year ended 31 March 2015 to approximately 70.4% for the year ended 31 March 2016 primarily attributable to (i) a lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared to the year ended 31 March 2015; and (ii) our unit selling price increment of certain products through offering less discounts to our non-retail customers to align with our retail prices in respect of certain distribution rights obtained from 2014. Our product margin remained relatively stable for the year ended 31 March 2017, being approximately 70.7%, as compared to the year ended 31 March 2016.

## SUMMARY

Our product margin for the year ended 31 March 2018 decreased to approximately 69.1%. Such decrease was mainly attributable to (i) the decrease in product margin of our distribution sales for the year, primarily due to our offering of more discounts in general to our PRC distributors in order to maintain our distribution sales during such period in view of the cooling down of the residential property market of the PRC as a result of the continued and intensified regulatory and control measures launched by the PRC government since the last quarter of 2016; and (ii) the decrease in product margin of our other sales for the year ended 31 March 2018, primarily due to the relatively higher product margin in respect of certain tile products sold to a major corporate customer during the year ended 31 March 2017.

Our net profit margin decreased from approximately 19.0% for the year ended 31 March 2015 to approximately 7.1% for the year ended 31 March 2016 primarily due to (i) the turnaround of the exchange gains of approximately HK\$8.8 million mainly arising from the settlement or translation of our Euro-denominated trade and other payables and bank borrowings as a result of a significant depreciation of Euro against HK\$ for the year ended 31 March 2015, to an exchange loss of approximately HK\$1.9 million mainly due to appreciation of Euro against HK\$ for the year ended 31 March 2016; and (ii) a significant increase in our other expenses mainly due to (a) the tax penalty and late payment surcharge provided in respect of our tax non-compliance and our overdue profits tax, and (b) listing expenses incurred in relation to the Listing. Excluding the non-recurring items of listing expenses and tax penalty and late payment surcharge as mentioned in (ii) above, the net profit margin for the year ended 31 March 2016 would be approximately 18.6%, which was comparable to that for the year ended 31 March 2015.

Our net profit margin for the year ended 31 March 2017 was approximately 16.7%. On the same basis of excluding the non-recurring item of listing expenses, our net profit margin for the year ended 31 March 2017 would be approximately 17.4%. Such decrease as compared to the year ended 31 March 2016 was mainly due to the increase in our rental expenses mainly attributable to the opening of new retail shops and rental increment of existing shops upon tenancy renewal.

Our net profit margin for the year ended 31 March 2018 was approximately 9.0%. On the same basis of excluding the non-recurring item of listing expenses, our net profit margin for the year ended 31 March 2018 would be approximately 13.7%. Such decrease as compared to the year ended 31 March 2017 was mainly due to the incurring of a net exchange loss of approximately HK\$4.8 million for the year as compared to a net exchange gain of approximately HK\$1.8 million for the year ended 31 March 2017.

As the purchases of our products are principally denominated in Euro while we receive revenue in Hong Kong dollars, we are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations. During the Track Record Period, our Group recorded net exchange gains of approximately HK\$8.8 million and HK\$1.8 million for the years ended 31 March 2015 and 2017 respectively, and net exchange losses of approximately HK\$1.9 million and HK\$4.8 million for the years ended 31 March 2016 and 2018 respectively. Given that the product margin of our products is relatively high, we consider that the foreign currency fluctuations will not pose significant impact on our overall business operations and financial performance. As such, we do not have a foreign currency hedging policy. To manage our foreign currencies risk, we closely monitor the movement of the foreign currency rates and perform regular reviews of our net foreign exchange exposure. In the event of any change of circumstances and we consider that our exposure to the foreign currency risk has heightened, we will implement necessary measures and policy to manage the risk, such as entering into foreign currency hedging transactions in the future.

### **High Gearing Ratio**

Our gearing ratio is relatively high, being over 1.0 time during the Track Record Period, which was mainly due to certain of our bank borrowings were obtained for lending to certain related companies for their property investment purpose, primarily prior to the Track Record Period, and as such, we had comparable balances of amounts due from related companies during the Track Record Period.

## SUMMARY

The relatively high gearing ratio as at 31 March 2016 as compared with other financial year end dates was primarily due to (i) the relatively high level of short term financing for the expansion of our business operations; and (ii) the declaration of interim dividends of HK\$20.0 million by RBMS HK for the year ended 31 March 2016, which reduced our total equity despite the net profit generated during the year. Our Directors confirm that the securities of related companies' Hong Kong properties and the guarantees provided by our Director and related companies for our bank borrowings will be released and replaced by corporate guarantees provided by our Company upon the Listing. Our gearing ratio (excluding bank borrowings which were secured by related companies' Hong Kong properties) was approximately 0.1 time, 0.2 time, 0.1 time and 0.05 time as at 31 March 2015, 2016, 2017 and 2018, respectively.

Had the Listing taken place on 31 March 2018 (which we assumed all bank borrowings which were secured by related companies' Hong Kong properties were repaid and 500,000,000 new shares were issued at the Offer Price of HK\$0.22 per share (being the mid-point of the indicate Offer Price range) following the completion of the Share Offer and the Capitalisation Issue), our gearing ratio would have significantly decreased to approximately 0.03 time.

### RECENT DEVELOPMENT

Based on our unaudited management accounts, our revenue for the four months ended 31 July 2018 increased as compared to the four months ended 31 July 2017, which was primarily attributable to the increase in our retail sales and distribution sales.

According to Ipsos, the residential property market witnessed a property price increase and recovery of domestic transaction volume since late 2016, and the upward trend remains in 2017. It is expected that the transaction volume will remain the moderate upward trend in the short-to-medium term. For instance, the annual transaction volume of residential property (both primary and secondary) in 2017 increased by a growth rate of approximately 12.6% compared to 2016, indicating that the property market in Hong Kong may start going up again after digesting all the effects from various government tax policies and negative expectation on the property market. In general, the growing property market provides support to the growth of the tile industry during the forecast period. Please refer to the section headed "Industry Overview — Overview of residential property market" in this prospectus.

The overall performance of the Hong Kong property market did and will have an impact on us. However, we believe that the impact on our business operations and financial performance was and will not be material as our sales performance is not entirely commensurate with the sales performance of Hong Kong properties, in particular our retail customers (which accounted for approximately 87.7%, 73.0%, 79.4% and 75.6% of our total revenue during the Track Record Period, respectively) comprise not just property buyers but also home owners/renters looking to refurbish their homes. In addition, we strived to expand our business from non-retail sales which has also been our main revenue driver to our Group.

Our Directors confirm that there has been no material adverse change in our business operation and business environment in which we are operating subsequent to the Track Record Period.

Notwithstanding the above, we currently expect that our financial position and financial results for the year ending 31 March 2019 will be negatively impacted by (i) non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income; and (ii) lower product margin due to the appreciation of Euro against HK\$ after the Track Record Period.

### STATISTICS OF THE SHARE OFFER

	<b>Based on Offer Price of HK\$0.19</b>	<b>Based on Offer Price of HK\$0.25</b>
Market capitalisation of our Shares <sup>(Note 1)</sup>	HK\$380 million	HK\$500 million
Unaudited pro forma adjusted net tangible asset value per Share <sup>(Notes 2 and 3)</sup>	HK\$0.093	HK\$0.107

## SUMMARY

### Notes:

- (1) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Share Offer.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus and based on 2,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer and the Capitalisation Issue at the respective Offer Price of HK\$0.19 and HK\$0.25 per Share.
- (3) Assuming the dividends of HK\$109,000,000 declared on 10 September 2018 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would have been HK\$0.039 and HK\$0.053 at the Offer Price of HK\$0.19 and HK\$0.25 per Offer Share, respectively, which is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group amounting to HK\$77,179,000 and HK\$105,679,000, respectively, after taking into consideration of the declaration of dividends of HK\$109,000,000.

### DIVIDENDS

No dividend was declared by our Group for the years ended 31 March 2015, 2017 and 2018. During the year ended 31 March 2016, an interim dividend of HK\$20.0 million was declared to the shareholder of RBMS HK by RBMS HK on 4 December 2015 to offset part of an amount due from Mr. Tso to us. On 10 September 2018, the Company declared dividends of HK\$109,000,000 to RB Power, the then sole shareholder of the Company, and the dividends were settled by way of offsetting part of the amounts due from related companies to our Group under the instruction of Mr. Tso. Our Company currently does not have any predetermined dividend payout ratio. For further details regarding our dividends, please refer to the section headed “Financial Information — Dividends” in this prospectus.

### NON-COMPLIANCE

During the Track Record Period, we had incidents of non-compliance with applicable laws and regulations with respect to the usage of storage premises and our tax payment. Our Directors are of the view that such incidents of non-compliance did not and will not have a material adverse effect on our business, results of operations and financial condition. Please refer to the section headed “Business — Legal non-compliance” in this prospectus for further details.

### NO MATERIAL ADVERSE CHANGE

Save as disclosed in the section headed “Financial Information — Recent development” in this prospectus, our Directors confirm that since 31 March 2018 (being the date to which our latest audited financial statements were made up) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no events since 31 March 2018 which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

### USE OF PROCEEDS

The aggregate amount of the net proceeds from the Share Offer to be received by us is estimated to be approximately HK\$95.7 million (after deducting the outstanding underwriting fees and estimated expenses borne by our Group) assuming an Offer Price of HK\$0.22 per share (being the mid-point of the indicative Offer Price range of HK\$0.19 to HK\$0.25)

We plan to use the net proceeds of the Share Offer to be received by us as follows:

- approximately HK\$24.5 million, representing approximately 25.6% of the net proceeds to be received by us to expand our retail network in Hong Kong;
- approximately HK\$40.7 million, representing approximately 42.5% of the net proceeds to be received by us to be applied to obtain exclusive distribution rights with well known European tile manufacturers of brands which we consider with potential in Hong Kong;
- approximately HK\$30.0 million, representing approximately 31.3% of the net proceeds to be received by us to be used for suitable strategic acquisition opportunities to strengthen our market leadership and further enhance our competitiveness in the overseas manufactured tile retailing industry; and
- the remaining balance to be used for general working capital purposes.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

### LISTING EXPENSES

The estimated total listing expenses, which is non-recurring in nature, are estimated to be approximately HK\$41.8 million (including the underwriting commission assuming an Offer Price of HK\$0.22 per share, being the mid-point of the indicative Offer Price range), of which approximately



## SUMMARY

HK\$12.2 million is expected to be accounted for as a deduction from equity upon the Listing, and approximately HK\$29.6 million has been/will be charged to our consolidated statement of profit or loss and other comprehensive income.

### **OUR CONTROLLING SHAREHOLDERS**

Immediately upon completion of the Capitalisation Issue and the Share Offer, Mr. Tso, will, via RB Power, be beneficially interested in approximately 75% of the issued share capital of our Company, or the Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, and hence Mr. Tso and RB Power are our Controlling Shareholders. Please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus for further details in relation to our Controlling Shareholders.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 20 September 2018 to take effect on the Listing Date, a summary of which is set out in “Summary of the constitution of our Company and the Cayman Islands company law” in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of our Company
“Business Day” or “business day”	a day which is not a Saturday, a Sunday or a public holiday in Hong Kong and on which banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholder of our Company passed on 20 September 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

## DEFINITIONS

“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	MOS House Group Limited (formerly known as RBMS Group Limited (豪宅家居集團控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 25 September 2015
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of this prospectus, refers to the controlling shareholders of our Company, being Mr. Tso and RB Power
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Deed of Indemnity”	a deed of indemnity dated 20 September 2018 entered into by the Controlling Shareholders in favour of our Company, details of which are disclosed in “Statutory and general information — D. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	a deed of non-competition dated 20 September 2018 entered into by the Controlling Shareholders in favour of our Company, details of which are disclosed in “Relationship with the Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Euro” or “EUR”	the currency used by the Institutions of the European Union and the official currency of the Eurozone

## DEFINITIONS

“Family Trust”	the family trust established on 18 December 2015 by Mr. Tso as the settlor, with TMF (Cayman) Ltd. acting as the trustee, as described in detail in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Fortune Rich”	Fortune Rich Limited (信鋒有限公司), a limited liability company incorporated in Hong Kong on 10 July 2009 and our indirect wholly owned subsidiary
“Government Rights (Re-entry and Vesting Remedies) Ordinance”	Government Rights (Re-entry and Vesting Remedies) Ordinance (Chapter 126 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context so require, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKAS”	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKD”, “HK\$” or “HK dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates

## DEFINITIONS

“Independent Valuer”	Roma Appraisals Limited
“Ipsos”	Ipsos Limited, an industry research consultant and an Independent Third Party
“Ipsos Report”	the industry report provided by Ipsos, which was commissioned by us in relation to, among other things, the tile retailing industry in Hong Kong
“Joint Bookrunners” or “Joint Lead Managers”	Alpha Financial Group Limited and Future Land Resources Securities Limited acting as joint bookrunners and joint lead managers of the Share Offer
“Latest Practicable Date”	18 September 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Legal Counsel”	Mr. Clay Huen, barrister-at-law and a legal counsel advising us on certain aspects of Hong Kong Law
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 19 October 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 20 September 2018, a summary of which is set out in “Summary of the constitution of the Company and Cayman Islands company law” in Appendix III to this prospectus, and as amended from time to time
“Mr. Tso”	Mr. Simon Tso, our executive Director, chairman, one of our Controlling Shareholders and the spouse of Ms. Tsui
“Ms. Tsui”	Ms. Tsui To Fei, our executive Director and the spouse of Mr. Tso

## DEFINITIONS

“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Shares are to be issued pursuant to the Share Offer, which will be not more than HK\$0.25 and is currently expected to be not less than HK\$0.19
“Offer Share(s)”	the Public Offer Shares and the Placing Shares together
“Petramer’s China”	Petramer’s China Limited, a limited liability company incorporated in Hong Kong on 10 November 2014 and our indirect non-wholly owned subsidiary
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters with professional and institutional and individual investors at the Offer Price, as further described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 450,000,000 Shares initially being offered by our Company for subscription under the Placing (subject to re-allocation as described in the section headed “Structure of the Share Offer” in this prospectus)
“Placing Underwriters”	the group of underwriters led by the Sole Global Coordinator, which is expected to enter into the Placing Underwriting Agreement to underwrite the Placing
“Placing Underwriting Agreement”	the placing underwriting agreement relating to the Placing to be entered into on or about Wednesday, 10 October 2018 by, among others, the Company, the executive Directors, the Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters
“PRC”, “China” or the “People’s Republic of China”	the People’s Republic of China, which for the purposes of this prospectus only (unless otherwise indicated) excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan, unless otherwise specified
Price Determination Agreement	The agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Offer Price
Price Determination Date	the date on or around Wednesday, 10 October 2018 on which the Offer Price is to be determined, is expected to be, and in any event no later than Monday, 15 October 2018

## DEFINITIONS

“Public Offer”	the offer for subscription of the Public Offer Shares to the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus) at the Offer Price (plus brokerage fee of 1%, Stock Exchange trading fee of 0.005%, and SFC transaction levy of 0.0027%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Share Offer — Public Offer” in this prospectus
“Public Offer Shares”	the 50,000,000 Shares being initially offered by our Company at the Offer Price pursuant to the Public Offer (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the underwriters listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus, being the underwriters of the Public Offer
“Public Offer Underwriting Agreement”	the underwriting agreement dated 27 September 2018 relating to the Public Offer and entered into by, among others, the Company, the executive Directors, the Controlling Shareholders, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters
“RB Management”	RB Management Holding Limited, a limited liability company incorporated in the BVI on 9 September 2015, a holding vehicle used by TMF (Cayman) Ltd., the trustee of the Family Trust
“RB Power”	RB Power Limited, a limited liability company incorporated in the BVI on 9 September 2015 wholly-owned by RB Management and is one of our Controlling Shareholders
“RBMS BVI”	RBMS Holdings Limited, a limited liability company incorporated in the BVI on 5 October 2015 and our indirect wholly owned subsidiary
“RBMS HK”	Regent Building Material Supplies Company Limited (俊匯建材有限公司), a limited liability company incorporated in Hong Kong on 11 March 1998 and our indirect wholly owned subsidiary
“Regent Building”	Regent Building Limited (豪宅建材有限公司), a limited liability company incorporated in Hong Kong on 22 February 2010 and our indirect wholly owned subsidiary
“Regulation S”	Regulation S under the U.S. Securities Act

## DEFINITIONS

“Reorganisation”	the reorganisation of the companies within our Group as set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share of HK\$0.01 each in capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of the Shareholders of our Company passed on 20 September 2018, the principal terms of which are summarised in “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Global Coordinator”	Alpha Financial Group Limited, a licenced corporation engaging in type 1 (dealing in securities) regulated activity under the SFO
“Sponsor”	Ample Capital Limited, a licensed corporation under the SFO to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Town Planning Ordinance”	Town Planning Ordinance (Chapter 131 of the Laws of Hong Kong)
“Track Record Period”	the four financial years ended 31 March 2018; and the phrase “during the Track Record Period”, followed by a series of figures or percentages, refers to information relating to the financial years ended 31 March 2015, 2016, 2017 and 2018 respectively



## DEFINITIONS

“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“USD”, “US\$” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own names
“ <b>White Form eIPO</b> ”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <b>www.eipo.com.hk</b>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent.

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus are as at the Latest Practicable Date.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“CAGR”	compound annual growth rate
“CE”	a conformity marking for products sold in the European Union. It states that the product is assessed before being placed on the market and meets the European Union safety, health and environmental protection requirements
“Ecolabel(s)”	EU Ecolabel, a voluntary labelling system which is recognised throughout Europe that helps customers to identify products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw material through to production, use and disposal
“EPS”	earnings per Share
“ERP system”	enterprise resource planning system, an accounting-oriented information system for identifying and planning the enterprise-wide resources needed to take, make, distribute, and account for customer orders
“GDP”	gross domestic product
“GFA”	gross floor area
“Green Belt”	one of the permitted usages pursuant to OZP. Permitted uses of the green belt include agricultural uses; barbeque spot; government use (police reporting centre only); nature reserve; nature trail; on-farm domestic structure; picnic area; public convenience; and tent camping ground
“IRD”	the Inland Revenue Department of the government of Hong Kong
“ISO 10545”	a system of standards currently divided into multiple parts, used for the testing of various standards and qualities of tiles, such as resistance to impact, temperature and friction etc.
“ISO 14001”	an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behavior of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption

## GLOSSARY OF TECHNICAL TERMS

“ISO 9001:2008”	a member of the ISO 9000 family of standards set by ISO for quality management systems when an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction
“LEED”	Leadership in Energy and Environmental Design, a set of standards introduced by the U.S. Green Building Council for environmentally sustainable construction
“OZP”	outline zoning plan prepared and published by the Town Planning Board under the Town Planning Ordinance. The outline zoning plans show the proposed land-uses and major road systems of individual planning scheme areas. Area covered in the plans are zoned for such uses as residential, commercial, industrial, open space, Government, institution or community uses, green belt, conservation areas, comprehensive development areas, village type development, open storage, or other specified purposes
“product margin”	a profitability ratio which is calculated by dividing (i) the difference between revenue and cost of inventories sold by (ii) revenue, and multiplied by 100%
“PVC”	polyvinyl chloride, also known as vinyl, a kind of synthetic plastic polymer
“SAP system”	an acronym for systems, applications, products. It is an ERP system that provides users with a real-time business application
“sq. ft.”	square foot/feet
“sq. km.”	square kilometre
“sq. m.”	square metre
“unauthorised development”	has the meaning ascribed thereto under the Town Planning Ordinance

## FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “seek”, “should”, “will”, “would”, and the negative forms of these words and other similar expressions, as they relate to our business, are intended to identify forward-looking statements in particular, under the sections headed “Risk Factors”, “Business” and “Financial Information” in this prospectus. Such statements reflect our current views with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic conditions, political and business conditions in the markets in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effect of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our ability to further develop and manage our projects as planned;
- the actions and developments of our competitors;
- certain statements in the section headed “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

## **FORWARD-LOOKING STATEMENTS**

Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

## RISK FACTORS

*Investor should carefully consider all of the information in this prospectus, including the following risk factors before making an investment in the Shares. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also materially and adversely affect our business, prospects, financial condition and results of operations. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.*

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business and industry, (ii) risks relating to conducting business in Hong Kong; (iii) risks relating to the Share Offer and our Shares; and (iv) risks relating to the statements made in this prospectus and from other sources.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Our business and results of operation are susceptible to fluctuations in the market prices and demand for tiles**

Our revenue is mainly derived from the sale of our principal products, tiles comprising porcelain and ceramic tiles. As such, any drastic change in the market demand for tiles, and hence the price for tiles will have a corresponding impact on the price of our products. In addition, if there are other alternative home improvement and furnishing products that can replace or act as a substitute for tiles, the demand for tiles may decline. There is no assurance that the price for tiles will not decline in future or that such price will remain at sufficiently high level to ensure our profitability. Any adverse impact on demand or price of tiles and/or our products could materially and adversely affect our business, prospects, financial condition and results of operation.

#### **Our success is dependent on our ability to respond to changes in consumer preferences, perception or consumption pattern**

The markets of home improvement and furnishing products in general and tile products in particular are subject to rapid changes in consumer preferences, perception and consumption pattern. Moreover, customer preferences for such products are highly subjective.

Our future success will depend partly on our ability to predict accurately the trends of interior designs and other factors affecting our consumer preferences and demands, anticipate, gauge or adapt to such changes in consumption pattern and to offer, on a timely basis, products that meet changes in consumer preferences. We cannot assure you that our products will gain market acceptance. Changes in consumer preferences in favour of wood flooring, stone marble, carpet and other alternative home improvement and furnishing products may have a material adverse impact on us. There can be no assurance that our tile products will hold long-term consumer appeal. Should consumer preferences change, our products may fail to meet the particular preferences of consumers. Our failure to anticipate, identify or react to these particular preferences or changes may limit the demand for our products which in turn may materially and adversely affect our business, prospects, financial condition and results of operations.

## RISK FACTORS

### **We are affected by the level of demand in the real estate development industry**

Our tile products are widely used in residential and commercial premises improvement and furnishing, residential and commercial real estate development projects and property remodeling projects. Therefore, the demand for our tile products is affected by the growth of the residential and commercial real estate development industries as well as the real estate transaction volume in Hong Kong and the PRC, which could in turn be affected by a number of factors, such as the strength of the residential and commercial property markets, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets. To ensure the availability of affordable housing, both the government authorities in Hong Kong and the PRC have implemented a series of measures to discourage speculation in the property market in Hong Kong and the PRC, which could affect the growth of the real estate development industry in Hong Kong and the PRC. Any significant decrease in residential or commercial or real estate development or real estate transaction volume as a result of the government policies or regulatory measures could result in a decline in demand for or prices of our tile products, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

### **Economic downturn and adverse market conditions in Hong Kong and the PRC could materially and adversely affect our business, prospects, financial condition and results of operation**

As of the Latest Practicable Date, all of our 18 retail shops were located in Hong Kong. Apart from retail sale, we also sell our tiles and bathroom fixtures to distributors in the PRC and supply tile products on project basis for large scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau. All of our tile products are high-end products imported from Italy or Spain. We are, therefore, dependent on the health of the global economic conditions and levels of consumption in general. The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the economic downturns of 2008 and 2009 was uneven and the global financial markets are still continuing to face challenges, including the escalation of the European sovereign debt crisis starting in 2011 and the slowdown of the PRC economy in 2012. A continuous deterioration in global economic conditions could affect consumer confidence and spending. If the demand for our products declines as a result of changes in global economic conditions or does not grow at the pace we anticipate, our business, prospects, financial condition and results of operations could be adversely affected.

In addition, the economic downturn and adverse market conditions in Hong Kong and the PRC could adversely affect the ability of our customers to obtain financing for their property purchases or real estate development projects, which could result in a decline in demand for or prices of our products. Furthermore, uncertain economic conditions could make it difficult for our customers to plan future activities with certainty, which could cause our customers to slow down spending on our products. Delaying and lengthening sales cycles may have a material adverse effect on our business, prospects, financial condition and results of operations.

## RISK FACTORS

### **Our business is subject to seasonal fluctuations**

As is typical in the home improvement and furnishing industry, we experience seasonal fluctuations in sales and operating results. Our sales tend to peak during summer season, namely June, July and August while sales during New Year and Lunar New Year are generally low as traditionally there are less residential and commercial premises renovation and property construction activities during those periods of time. Accordingly, we generally record less sales in January and February. We believe that such seasonal fluctuations will continue to affect our business. As a result of such seasonal fluctuations, comparisons of sales and operating results between different periods within a single financial year may not be meaningful, nor can these comparisons be relied upon as indicators of our future performance. Since our purchases are made in advance of the corresponding sales, our working capital and cash flows are also subject to seasonal fluctuations. If sales for a particular season do not meet our expectations, our financial condition may be adversely affected.

### **Any disruption in our relationships with suppliers could materially and adversely affect our business**

As the tile industry is susceptible to changes in the market trends and customers preferences, we strive to continuously source new products and source from different suppliers from time to time. Our business model and growth strategy substantially depend on the relationship with our suppliers and the adequate supply of quality tile products to us. Apart from the exclusive distribution agreements we entered into with some of our major suppliers, we generally do not enter into long term agreements with most of our suppliers and we usually place purchase orders with our suppliers from time to time depending on our operational needs. As such, our suppliers are not obliged to supply us with tile products at existing volumes. If the supply of tile products of certain specific brands is substantially reduced or disrupted, or if there is any significant increase in their prices, or the lead times for the supply of quality tile products are extended, we may need to incur additional costs to acquire sufficient quantities of the quality tile products to meet our sales schedules and commitments to customers. There is no assurance that our Group will not encounter problems with our suppliers in the future, or alternative suppliers will be identified to replace unsatisfactory suppliers in a timely and commercially viable manner. Any delays or shortages in supply in part or in entirety from our Group's suppliers may materially and adversely affect our business, prospects, financial condition and results of operation.

During the Track Record Period, we had entered into exclusive distribution agreements with a number of our suppliers for a typical term of two to five years. There is no assurance that we will be able to maintain good business relationships with our existing suppliers in future or we will be able to continue the exclusive distribution rights with our suppliers for certain tile products upon the expiry of the term of the exclusive distribution agreements. Any reduction in or termination of business relationship with our suppliers or expiry/termination of exclusive distribution rights would materially and adversely affect our business, prospects, financial condition and results of operations. Besides, we may not be entitled to sell the branded products upon the expiry and/or termination of exclusive distribution agreements.



## RISK FACTORS

### **We may not be allowed to sell unsold inventory after the expiry and/or termination of the exclusive distribution agreements with our suppliers**

We may enter into exclusive distribution agreements with our suppliers from time to time. As at the Latest Practicable Date, we have twelve subsisting exclusive distribution agreements entered into with Italian and Spanish manufacturers/brand owners of tiles and bathroom fixtures. The exclusive distribution agreements do not stipulate any explicit arrangement for returning products to the suppliers after the expiry and/or termination of the exclusive distribution agreements. Please refer to the section headed “Business — Suppliers and procurement — Exclusive distribution rights” in this prospectus for details of the key terms of our typical exclusive distribution agreements. While our Directors are of the view that the ownership of the products so purchased has been transferred to us and thus we are entitled to continue to deal with or dispose of any remaining stock after the expiry and/or termination of the exclusive distribution agreements, the relevant suppliers may consider otherwise and may sue us for trademark/copyrights infringement and/or challenge our entitlement to deal with the remaining stock. Regardless of their merit, any claims would divert management’s attention and result in possibly significant legal costs. If such claims are successful, we may not be allowed to sell such remaining unsold inventory and may be required to compensate the relevant suppliers for any infringement. Even if we are allowed to continue to sell such remaining unsold inventory, we may be required to pay license fees to the relevant suppliers for using their trademarks in marketing the unsold inventory the amount of which may not be available on commercially reasonable terms.

In 2014, one of our previous tile suppliers initiated an action against us alleging that RBMS HK had infringed its trademarks after termination of the licence agreement and seeking for injunctive relief restraining us to further sell the products bearing its trademarks. In January 2016, the supplier reached an amicable settlement with us pursuant to which, among other things, we were entitled to sell the remaining stocks of the supplier’s products in our retail shop up to 31 December 2016 (inclusive). As at 31 December 2016, such remaining stocks were fully sold out and as such, no unsold stock was headed to be destroyed pursuant to the settlement terms. Please refer to the section headed “Business — Intellectual property” in this prospectus for details.

### **We are exposed to foreign currency exchange fluctuations**

We incur our cost of purchases in Euro while we receive our revenue in Hong Kong dollars. Accordingly, fluctuations in foreign currency exchange rates can increase or decrease our profit margin and affect the results of our operations. We set our retail prices based on the cost of purchases plus mark-up. If there is a significant weakening of the exchange rate of Hong Kong dollars against Euro prior to the sale and subsequent to our fixing of prices, our expected profit margins may be reduced. Please refer to the section headed “Financial Information — Market risks — Currency risk” in this prospectus for further details of sensitivity analysis to the increase and decrease in exchange rates of functional currency against relevant foreign currencies. Although we seek to manage our foreign currency risks in order to minimise any negative effect caused by exchange rate fluctuations, there can be no assurance that we will be able to do so successfully. Our business, financial condition and results of operations could be materially and adversely affected by such fluctuations in foreign currency, particularly if such exchange rate movements persist.

## RISK FACTORS

Our functional currency is Hong Kong dollar, which we consider to be the currency of the primary economic environment affecting our operations. All of our purchases made in foreign currencies are translated into Hong Kong dollars at prevailing rate relevant at the time of transaction. The fluctuation in foreign currencies would affect our cost of inventories sold in terms of Hong Kong dollars. In addition, monetary balances denominated in foreign currencies are translated into Hong Kong dollars at the prevailing rates as at the balance sheet date when we prepare our consolidated financial statements and result in corresponding exchange gains or losses. For the years ended 31 March 2015, 2016, 2017 and 2018, we recorded net exchange gain (loss) in our profit or loss account of approximately HK\$8.8 million, HK\$(1.9) million, HK\$1.8 million and HK\$(4.8) million respectively. Besides, although our monetary balances denominated in USD or RMB were not exposed to significant currency risk due to their relatively stable fluctuation against Hong Kong dollars during the Track Record Period, our monetary balances denominated in Euro which in aggregate amounted to net financial liabilities of approximately HK\$37.1 million, HK\$45.4 million, HK\$31.2 million and HK\$58.8 million as at 31 March 2015, 2016, 2017 and 2018 respectively were exposed to the risk of appreciation of Euro against Hong Kong dollars. Accordingly, the profits would be lower should there be any appreciation in the exchange rates of the respective foreign currencies against Hong Kong dollars for our purchase transactions in foreign currencies or our monetary liabilities denominated in foreign currencies and in particular, Euro.

### **Our profitability is subject to the rise and fluctuation of the prices of the tile products**

Our business depends on reliable sources of large quantities of quality tiles by our suppliers. We do not ourselves manufacture any tiles and our business operation depends on the continuous and steady supply of tiles, which is in turn subject to price volatility caused by, among others, any fluctuation in aggregate supply and demand in the global tile market and at the discretion of the suppliers and manufacturers in the global market. We cannot assure you that our major suppliers would continue to provide us with adequate supply of tiles at reasonable prices, or that the market prices of tiles in the global market would remain stable in the future, and if we are unable to manage such costs or to transfer such cost increment to our customers, it may have an adverse impact on our profit margin in the future.

### **Failure to manage our distribution network in the PRC may adversely affect our business and future growth in the PRC**

We are exploring the imported tile market in the PRC primarily through distributors in the PRC. As at the Latest Practicable Date, we had four distributors in the PRC. During the Track Record Period, sales through our PRC distributors accounted for approximately 2.9%, 15.3%, 9.9% and 12.5% of our total revenue, respectively. We expect to continue to rely on our distributors for our sales in the PRC market. As such, the performance of our distributors, the maintenance of our relationships with such distributors and the ability of such distributors to distribute our products, uphold our brand, expand their businesses and sales network are crucial to the future growth of our business in the PRC.

Competition within our industry is intense in the PRC, and we may not be able to successfully maintain our relationship with our existing distributors. Further, the term of our distribution agreements with these distributors is generally one year. We cannot assure you that we will not lose any of our key distributors, or that we are able to renew our agreements with them in the future.

## **RISK FACTORS**

If any of our key distributors were to substantially reduce the size or number of orders they place with us or were to terminate their business relationship with us entirely, we may not be able to secure orders from other distributors to replace any such lost sales on comparable terms or at all, and as a result, our business, prospects, financial condition and results of operations may be adversely affected. Moreover, if our distributors fail to comply with the terms of their distribution agreements, the distribution network for our products may be disrupted, which may adversely affect the sales volume, revenue, and hence our profitability in the PRC.

While we do not believe that we are substantially dependent upon any individual distributor or sales agent, replacing distributors and sales agents could be time-consuming and any delay may be disruptive and costly to our business.

### **We have no ownership or managerial control over distributions**

We have no ownership or managerial control over any of our distributors. We rely on the terms and conditions of our distribution agreements to regulate the conduct of our distributors in the PRC. We cannot assure you that our distributors in the PRC will adhere to the terms and conditions under our distribution agreements, and there may be instances when these distributors may take actions which are inconsistent with our business strategy or ethics. Such inconsistencies may adversely affect our business, prospects, financial condition and results of operations.

### **Abuse of our brand may adversely affect the value of our intellectual property and goodwill**

Having an established brand image is an important factor in business related to sales, which directly affects a customer's choice in purchasing a product. As part of our brand-building process, we allow certain of our distributors to operate using our trade name within their designated sale areas at no cost, as we believe that their distribution network and local expertise are able to penetrate the PRC market more quickly and efficiently.

However, in a market rife with cheap knock-offs and pirated products of high end goods, we cannot assure you that our distributors will keep to the terms of their distribution agreements and only sell authorised and genuine products under our brand name, and we may have to resort to litigation to protect our interests. Under such circumstances, negative publicity or disputes about our products or brand may arise which could materially and adversely affect public perception of our products, and hence have knock-on effects on our relationship with our suppliers in Italy and Spain, as well as our business, financial conditions, sales and growth potential in the PRC market. Further, the substantial costs brought about by litigation suits, together with the problems and uncertainty associated with the enforceability and scope of protection of intellectual property rights in the PRC, could cause us to divert our energies and resources and have a significant result in substantial negative impact on our business, prospects, financial condition and results of our operations.

## RISK FACTORS

### **Our distributors are geographically concentrated in a few regional markets in the PRC, including Beijing, Shanghai, Shenzhen and Guangzhou**

Our revenue generated through distribution sales in the PRC was contributed by sales in a few regional markets in the PRC, such as Beijing, Shanghai, Shenzhen and Guangzhou. Although these cities are currently considered to be among the most affluent areas of the PRC, our revenue from our distribution activities depends largely on the general economic conditions and consumer preferences in these regions. If there is any material adverse change in the economic and social conditions or sudden change in consumer preferences to alternative tile products or bathroom fixtures in these regions, and if we are unable to divert our sales or engage new distributors in different regions in a timely manner, our business, prospects, financial condition and results of operations may be materially and adversely affected.

### **We have experienced growth in the past but cannot assure you that we can maintain similar rate of growth in the future**

During the Track Record Period, our revenue increased from approximately HK\$173.8 million for the year ended 31 March 2015 to approximately HK\$202.1 million for the year ended 31 March 2016, but decreased to approximately HK\$183.4 million for the year ended 31 March 2017, and then increased to approximately HK\$190.8 million for the year ended 31 March 2018, representing a year-on-year growth rate of approximately 16.3%, -9.2% and 4.0% respectively.

Our ability to grow our business is subject to other risks and uncertainties, including our ability to:

- compete effectively with our competitors in the market sectors of porcelain and ceramic tile products;
- offer commercially successful and wide range of products to attract a larger base of consumers;
- increase sales and marketing activities and promote consumer awareness and acceptance of our products;
- competitively price our products;
- continue our existing arrangements with suppliers and enter into new arrangements with additional suppliers;
- identify suitable premises for new retail shops and secure leases on terms acceptable to us;
- shortage of qualified operating personnel and/or delays or difficulties in training them;
- potential cannibalisation effects between existing and new locations of our retail shops;
- significant deterioration in the economic conditions in Hong Kong; and
- maintain sufficient cash and financing to fund our expansion plans and business operations.

## RISK FACTORS

If we are unsuccessful in addressing any of these risks and uncertainties, our business, prospects, financial condition and results of operations will be materially and adversely affected. We cannot assure you that we will achieve similar growth rate or mitigate our negative growth rate in the future. You should not rely on our operating results for any prior annual period as an indication of our future operating performance. If we are unable to maintain adequate revenue growth, our financial results could be materially and adversely affected. In addition, if we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressure.

### **The delay in settlement of payments by our customers may result in untimely and significant cash flow shortcomings in the future and may adversely impact our cash position and results of operation**

In our business model, we place purchase orders for purchasing tiles and bathroom fixtures prior to our sales, or we may purchase adequate inventories to maintain our safety stock for sales. As our obligation to pay our suppliers for the tiles and bathroom fixtures may not be in the same financial year as we enter into the sales contracts, we may consequently record cash outflows from operating activities in certain periods. In particular, under our distributorship model, we usually grant a credit term of 120 days to our distributors in the PRC. Any delay in receipt of payments from our customers may adversely impact our cash flow position.

Our total trade receivables from third party customers amounted to approximately HK\$3.1 million, HK\$18.4 million, HK\$14.8 million and HK\$32.8 million as at 31 March 2015, 2016, 2017 and 2018, respectively. Our total trade receivables from third party customers accounted for approximately 1.3%, 6.8%, 6.0% and 11.4% of our current assets as at 31 March 2015, 2016, 2017 and 2018, respectively. As at 31 March 2015, 2016, 2017 and 2018, trade receivables of approximately HK\$2.7 million, HK\$9.0 million, HK\$13.4 million and HK\$22.6 million respectively (or approximately 86.9%, 49.0%, 90.0% and 68.9% of our total trade receivables as at the respective year end date) were past due but not impaired.

There is no assurance that we will be able to collect all trade receivables, in particular those aged over one year from our customers. Any default or delay in payment by our customers or our failure to collect trade receivables from them may cause allowance for impairment of trade receivables to be made in the future. All of these may result in untimely and significant cash flow shortcomings in the future and adversely affect our cash position and results of operations.

### **We are subject to the risks of obsolete and slow-moving inventories which may have an adverse impact on our cash flow and liquidity**

The balance of our inventories as at 31 March 2015, 2016, 2017 and 2018 accounted for approximately 23.9%, 24.6%, 24.7% and 25.5%, respectively, of our total current assets and we had inventories in the amount of approximately HK\$56.9 million, HK\$66.5 million, HK\$61.1 million and HK\$73.4 million, respectively. For the years ended 31 March 2015, 2016, 2017 and 2018, our average inventory turnover days were approximately 307.5 days, 377.0 days, 433.5 days and 416.0 days, respectively.

## RISK FACTORS

We operate in an industry that is subject to market trends and customers' preferences, which are beyond our control. Any sudden decrease in the market demand for our products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate and may adversely affect our financial condition and results of operations. For the years ended 31 March 2015, 2016, 2017 and 2018, we have not identified material inventory items requiring impairment provisioning. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, if we fail to source appropriate products to suit customer preferences in the future, the volume of obsolete and slow-moving inventories may increase. If our inventories are identified as obsolete, we may be required to sell the relevant inventories at a price lower than the cost and/or provide allowance on inventories. In such event, our business, financial condition and results of operations will be materially and adversely affected.

### **Our growth strategies depend partly on our ability to successfully expand our product, which we may not be able to achieve**

While our focus historically has been the sales of tile products, we will increasingly invest in other products including wooden flooring and bathroom fixtures imported from Italy, in order to take advantage of the growth opportunities presented by such products in general and the cross-selling opportunities to our customers of tile products. There is no assurance that we will be successful in our attempts to diversify into such product offerings.

### **Our future acquisitions may prove to be difficult to integrate and manage or may not be successful**

In addition to growing organically, we are also considering alternative avenues of dynamic growth by exploring attractive acquisitions and collaboration opportunities that are compatible with us. Please refer to the section headed "Business — Our business strategies" in this prospectus for further details. As of the Latest Practicable Date, we had not entered into any agreement or memorandum to acquire any company or business. This strategy entails certain potential risks that could have a material adverse effect on our business, prospects, financial condition and results of operations and prospects, such as (i) unidentified or unanticipated liabilities or risks in the assets or businesses which we may acquire; (ii) inability to successfully integrate the products, services and personnel of the businesses which we may acquire into our operations; (iii) failure to realise any expected cost savings or other synergies from the acquisitions; (iv) the need to incur additional indebtedness, which may reduce our cash available for operations and other uses due to increased debt repayment obligations; and (v) inability to retain employees and customers relationships, customer overlap or loss of customers and diversion of management attention and other resources.

We may not be able to make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. In addition, the anticipated future expansion of our operations through acquisitions may place a significant strain on our management, internal controls and information technology systems and resources, and could also result in additional expenditure. In addition to training, managing and integrating our workforce, we will need to continue to develop and improve our management and financial controls. We cannot assure you that we will be able to successfully integrate any acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors could have a material adverse effect on our business, prospects, financial condition and results of operations.

## RISK FACTORS

### **Failure to secure renewal of the current leases of our retail shops on commercially acceptable terms or at all could adversely affect our growth prospects and business condition**

As at the Latest Practicable Date, our products were sold across a network of 18 retail shops, all of which are strategically located at the prime retail locations for home improvement and furnishing materials in Hong Kong. We compete with other home improvement and furnishing material retailers for such prime retail locations. We have entered into lease agreements for all such properties for our current retail shops from third-party landlords and related companies controlled by our Controlling Shareholders. During the Track Record Period, rentals expenses of our retail shops accounted for approximately 18.2%, 18.3%, 22.6% and 21.8% of our total revenue, respectively. Such leases generally have a term of two to three years.

We cannot assure you that we will be able to renew the leases of our retail shops upon their expiry, or that the rental rates, duration and other terms and conditions will remain at least the same as those of the current leases.

In case of any such non-renewal or termination of the leases of our retail shops, we would have to close the retail shops or consider relocating the relevant retail shops to another premises depending on our business needs from time to time. In such events, we could incur relocation costs for renovation, removal and resources allocation and could write off leasehold improvements, which could in turn result in financial strain in our operations and diversion of management resources. There is also no assurance that we could secure relocations to similar locations in a timely manner or, even if we could, that we could enter into leasing arrangement on commercially acceptable terms, and failing to do so could adversely impact our business growth.

Coupled with the general rising trend in rentals in Hong Kong, our landlords could increase the rent or impose more stringent payment terms when renewing our leases, which could in turn adversely affect our profitability and results of operations. If we find the terms of the proposed renewal leases unacceptable, we may have to consider relocating the retail shops to another premises with lower rentals under a commercially acceptable leasing arrangement but in a relatively less attractive location, which may have a negative effect on our reputation and our sales performance. There is no objective way to precisely predict the rate of increase in the commercial real estate rental market. Our substantial operating lease obligations expose us to potentially significant risks, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

### **Failure of any of our new retail shops to reach planned operating levels could negatively impact our overall performance and profitability**

We intend to expand our market presence and increase our market share by rolling out additional retail shops in Hong Kong. Location of the retail shops we plan to roll out is paramount to the success of such expansion. There is no assurance that we will be able to identify suitable premises for such new retail shops. Any failure to successfully secure leases in time may materially and adversely affect our expansion plans which may in turn affect our business, financial condition and results of operations.

## RISK FACTORS

Opening new retail shops requires significant capital outlay up front, including rental deposits for leased premises and costs of setting up, renovation and hiring and training of employees. We cannot assure that any new retail shop will attract sufficient customers to generate demand and sales and that the revenue of any new retail shop would be equal to or exceed those of our existing ones. In addition, each of our retail shop could take time to reach the planned operating level. In the event that any new retail store we roll out experiences prolonged delays in breaking even or achieving our desired level of profitability, our overall profitability could be affected.

### **Our business and financial conditions depend on our ability to effectively manage our inventories**

Our business and financial conditions depend on our ability to maintain a reasonable level of the tile products of diverse brands. If we overstock inventory, our required working capital would increase and additional financing costs would also be incurred. On the other hand, if we understock inventory or our inventory is not diversified enough to meet the particular types and brands of customers' requirements, our ability to meet our customers' demand may be affected, which may in turn cause us to forgo revenue and adversely affect our business, prospects, financial condition and results of operations. There can be no assurance that we would not experience overstocking or understocking in the future, or that any such instances would not adversely affect our business, prospects, financial condition and results of operations.

### **The Premises we leased during the Track Record Period were not in compliance with the permitted usage of the government leases, OZP and/or the Town Planning Ordinance that may lead us to legal actions**

During the Track Record Period, we leased eight premises in Yuen Long, New Territories as our storage facilities for warehousing our tiles and bathroom fixtures (the "**Premises**"). Such usage was not in compliance with the permitted usage stated in the government leases, OZP and/or the Town Planning Ordinance respectively. The relevant government authorities may enforce the lease conditions by issuing warning letters to the landlords to rectify the non-compliance within a specified period of time and/or enforce their rights of re-entry upon the Premises and/or issue an enforcement notice to the respective landlords or us (as an occupier to the Premises) if they are of the view that the storage of our tiles and bathroom fixtures is an unauthorised development and may demand the respective landlords, or even us as an occupier, to discontinue the usage and to take such rectification steps as may be required by such notice including reinstating the land to its original usage. According to the records in the Land Registry, the relevant government authorities have issued warning letters, enforcement notices and an order to the respective landlords against the land lots where the Premises are located in relation to such non-compliance. As at the Latest Practicable Date, our Group has completed the relocation of storage facilities from the Premises to new storage premises and we as previous occupier has not received any such letter, notice or order in relation to the Premises. Please refer to the section headed "Business — Legal non-compliance — 1. Non-compliance with government lease and permitted usages" in this prospectus for further details of the Premises.



## RISK FACTORS

Pursuant to section 21(1) of the Town Planning Ordinance, no person shall undertake or continue development in a development permission area unless (a) the development is an existing use; (b) the development is permitted under the plan of the development permission area; or (c) permission to do so has been granted under section 16 of the Town Planning Ordinance. Pursuant to section 21(2) of the Town Planning Ordinance, the fine for a first conviction is up to HK\$500,000. Further, under section 23(1) and section 23(3) of the Town Planning Ordinance, the Planning Department may issue a warning notice to the land lot owner, occupier or person responsible for the unauthorised development. Any person who fails to discontinue the authorised development is subject to a maximum fine of HK\$500,000 in the first conviction and a fine of HK\$50,000 for each day he continues to fail to so comply. If the Planning Department prosecutes us in the capacity as the occupier of the Premises, our financial position will be materially and adversely affected as a result of the potential penalty.

### **Our Group has records of certain non-compliance of regulatory tax requirements of Hong Kong**

Our wholly-owned subsidiary, RBMS HK, had certain non-compliance with tax filing requirement in Hong Kong during the years of assessment 2004/2005 to 2013/2014. Subsequent to the field audit in 2011, the IRD revealed its disagreement on the tax computation treatment RBMS HK adopted in the years of assessment 2004/2005 to 2013/2014 and issued additional profits tax assessments in an aggregate amount of approximately HK\$8.4 million to RBMS HK relating to the years of assessment 2004/2005 to 2008/2009 as protective assessments. To resolve the tax dispute with the IRD, RBMS HK and the IRD agreed on a final settlement proposal which resulted in an additional profits tax charge of approximately HK\$10.1 million for the years of assessment 2004/2005 to 2013/2014, and IRD levied a fine of approximately HK\$10.6 million on RBMS HK for breaches of (i) section 80(1)(A) of the Inland Revenue Ordinance by failing to comply with the necessary requirements to keep sufficient records of income and expenditure to enable its assessable profits to be readily ascertained; and (ii) section 80(2) of the Inland Revenue Ordinance by making incorrect tax returns, for the years of assessment 2008/2009, 2009/2010 and 2013/2014. As at the Latest Practicable Date, all the additional profits tax and penalty were fully settled by RBMS HK.

According to the Legal Counsel, in connection with the incorrect tax return filed with the IRD, each of RBMS HK and its then directors may be subject to punitive actions under sections 80, 82 and 82A of the Inland Revenue Ordinance. The IRD may prosecute RBMS HK and its then directors under section 80 of the Inland Revenue Ordinance if the IRD considers that RBMS HK and its then directors made an incorrect return without reasonable excuse, or under section 82 of the Inland Revenue Ordinance if the IRD considers that RBMS HK and its then directors wilfully with intent evaded tax or assisted another person to evade tax by engaging various activities. If the IRD does not prosecute RBMS HK under sections 80 or 82 of the Inland Revenue Ordinance, it may impose additional tax on RBMS HK as a penalty under section 82A of the Inland Revenue Ordinance. Please refer to the section headed “Business — Legal Non-Compliance — 2. Additional tax assessments and tax penalty for the years of assessment 2004/2005 to 2013/2014” in this prospectus for further details of such tax non-compliance incidents and the potential penalty of RBMS under the Inland Revenue Ordinance. There is no assurance that the relevant authorities would not take any enforcement action against RBMS HK and its then directors in relation to the non-compliance. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

## RISK FACTORS

### **We face significant competition which may affect our market share and profit margins**

The markets of tile products are highly competitive and fragmented. We cannot assure you that our current or potential competitors will not provide products comparable or superior to ours, offer products at more competitive prices or adapt more quickly than we do to evolving industry trends or changing market conditions. There is also the possibility of consolidation among our competitors or that alliances may develop among our competitors whereby such competitors may acquire significant market share rapidly.

Furthermore, our competitors may increase substantially their advertising expenses and promotional activities or engage in pricing behaviour or actively engage in activities designed to influence consumer's confidence. Increased competition may result in price reduction, reduced profit margins and a loss of our market share, any of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

### **We are dependent on our SAP system for our operational efficiency. A system failure or breakdown may cause interruptions of our business and operation**

We rely on various information technology systems, such as our central accounting system and point-of-sale system for the timely exchange of business information between our headquarter and individual retail shops, and these systems are critical to our daily business operations. We have implemented a SAP system for our operations. Any malfunction in a particular part of our information technology system for an extended period of time may result in a breakdown throughout our sales network. In addition, we may experience interruptions to our operations during future upgrades, and there may be inherent risks to our future integration with other existing network systems. If any of these events occur, our business, prospects, financial condition and results of operations may be materially and adversely affected.

### **Our business could be adversely affected by difficulties in employee recruitment and retention**

We believe hiring, motivating and retaining experienced employees are a critical part of our success as retailer. Our success depends in part upon our ability to attract, retain and motivate a sufficient number of experienced employees, in particular our sales staff.

We consider that highly service-oriented sales staff are in short supply and competition for these employees is intense. We have implemented a performance-based bonus strategy in an effort to attract, retain and motivate a sufficient number of front-line sales representatives for our business operations and planned expansion. If these initiatives do not achieve the intended benefits generally or within our desired time frame, we may not be able to successfully recruit, motivate and retain a sufficient number of employees with necessary qualifications at commercially reasonable costs, or at all. Our failure to hire and retain sufficient qualified employees could delay our plan to open new shops or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labour costs.

## RISK FACTORS

### **Our staff costs may further increase due to factors beyond our control, such as changes in employees' protection legislation in the jurisdictions in which we operate**

Our staff costs amounted to approximately HK\$19.7 million, HK\$20.5 million, HK\$20.1 million and HK\$21.4 million for each of the financial years ended 31 March 2015, 2016, 2017 and 2018 respectively, representing approximately 11.3%, 10.2%, 11.0% and 11.2% of our total revenue during the respective years. Although we have managed to maintain relatively stable staff costs as a percentage of revenue historically, such ratio may increase in the future due to factors beyond our control, including rates of inflation, minimum wages and laws relating to employee salaries and benefits. In particular, the salary level of employees in the retail industry in Hong Kong has been increasing in recent years. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements. Further increases to the minimum wage will lead to an increase in our staff costs. We may not be able to increase our prices enough to pass such increased staff costs onto our customers, or we may lose certain customers due to our increased prices, in which case our business, financial condition and results of operations would be materially and adversely affected.

### **Our founder and senior management contribute significantly to our success, and our business may be adversely affected if we lose their services**

Our founder, Mr. Tso, has historically played a key role in the management and direction of our business, and has contributed significantly to our success. Mr. Tso has, since the establishment of our Group, led our senior management team in building our Group into the largest player in the overseas manufactured tile retailing industry in Hong Kong in 2017 in terms of revenue. The future development and expansion of our Group will rely on the continued dedication of the skills, knowledge and experience of Mr. Tso. While we have established long-term employment relationships with members of our senior management and we may hire additional experienced individuals to work in various capacities for us, there is no assurance that any of these members of senior management and experienced personnel will continue his or her present capacity with us for any particular period of time. If any of these members of senior management is unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we will lose the benefits of their contributions to our business and operations. Any failure to attract, retain and motivate these individuals, any member of our senior management team or any of our other key personnel, or to find suitable and qualified replacements should we lose their services, may materially and adversely affect our business and prospects.

### **We may require additional capital and any failure by us to raise additional capital on terms favourable to us, or at all, could limit our ability to expand our business**

We may require additional capital to finance our operations and to support our expansion plans, and to that end, we may need to issue additional equity or debt securities or obtain credit facilities. The sale of additional equity securities may have a dilution effect to the percentage of ownership of our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and we may be required to agree to operating and financing covenants that may restrict our operations. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties,

## RISK FACTORS

including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities, as well as economic, political and other conditions in Hong Kong and elsewhere.

There is no assurance that we will be able to obtain the necessary capital that we require on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favourable to us, or at all, could limit our ability to grow our business and develop or enhance our product offerings to respond to market demand or competitive challenges. In these circumstances, our business, prospects, financial condition and results of operations may be materially and adversely affected.

### **We are subject to certain risks associated with the transportation of our tile products from our suppliers**

As of the Latest Practicable Date, almost all of our tile products were imported from Italy or Spain. We engage and rely on third party freight forwarding companies to deliver our products safely to us and in accordance with our requested timetable. We cannot guarantee that these freight forwarding companies will always deliver our products according to our requirement. If any unforeseen events which are beyond our control occur during transportation, such as poor handling and damage to our products, transportation bottlenecks, natural disasters or labour strikes, the freight forwarding services could be suspended and delivery of our products will be significantly affected, which in turn could interrupt the supply of products to us (especially during our peak season for sales). In addition, if such freight forwarding companies increase their transportation charges, our transportation costs will increase accordingly and if we are not able to pass the increased costs to our customers, our business, prospects, financial condition and results of operations may be materially and adversely affected.

### **We engage third parties to carry out delivery of our products to our customers. The sub-standard or delayed performance of these third parties may adversely affect our Group's reputation**

Our Group has engaged third party logistics service providers for delivery of our products to our customers. Our Group may not be able to review and monitor the performance of these service providers as directly and as efficiently as managing our own staff. Our inability to ensure the service quality of these third party service providers could hinder our ability to deliver services to customers in a timely fashion. By engaging them for different tasks, our Group is exposed to risks associated with sub-standard or delayed performance by these third party service providers. If such risks materialise, our service quality to customers may deteriorate and could therefore impact upon our Group's profitability, financial performance and reputation, and result in litigation or damages claims.

In addition, if the third party service providers are in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or claims for loss and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

## RISK FACTORS

### **Incidents or adverse publicity concerning our name, reputation or products could negatively impact our revenue and profitability**

Our abilities to attract new customers and retain existing customers depend, in part, on our reputation, the external perception of our Group and the quality of our products. The considerable use of social media has compounded the impact of negative publicity. Any negative publicity concerning our name, reputation or products that receives media attention or is the subject of public discussion may harm our name or reputation, cause a loss of consumer confidence, and hence a decline in the sales of our products. If this occurs, our business, financial condition and results of operations will be materially and adversely affected.

### **We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties which could subject us to financial losses and harm our reputation**

As a retailer, we receive and handle cash and credit card transactions in our daily operations. We cannot assure that there will not be any instances of fraud, theft and other misconduct involving employees, customers and other third parties in future. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business and results of operations.

### **We are subject to product liability risks**

As with other retailers, our Group is subject to product liability claims if our products sold are defective. Generally, suppliers who produce or sell defective products are liable for any damages or personal injury caused by the defects of such products. We cannot assure you that we will not be subject to any product liability claims or adverse publicity due to deficiencies in product quality in the regions in which we operate in the future. Regardless of the merits or the outcome of these claims, we may be required to address and, if necessary, defend against such claims, which may divert management attention and other resources from our business and operations. If any product liability claim is brought against us in the future, whether or not the claim is ultimately successful, the negative publicity associated with such claims could adversely affect our reputation. Further, our financial liability under a product liability claim may not be covered by our insurance, and any claim may also result in legal costs and costs incurred in connection with a product recall campaign or in rectifying any product defects, any of which could have an adverse effect on our business, results of operations and financial condition.

### **Our insurance coverage may not be adequate to cover all the risks related to our business and operations**

Our insurance coverage may not adequately protect us against all risks relating to our business and operations. We do not possess certain types of insurance in relation to our business operations, such as business interruption insurance, account receivable insurance, and environmental damage insurance. There is no assurance that we will be able to maintain sufficient insurance coverage in the future. As a result, losses incurred as a result of any defective product claim, business interruption, litigation or natural disaster may have a material adverse effect on our business, prospects, financial condition and results of operations.

## RISK FACTORS

### **Our Controlling Shareholders have significant influence over our management and affairs and could exercise this influence against the best interests of our other Shareholders**

Immediately following the completion of the Share Offer, Mr. Tso will remain as one of our Controlling Shareholders with substantial control over our issued share capital. Therefore, our Controlling Shareholders will have significant influence over our business and affairs, including, but not limited to, decisions with respect to: (i) mergers or other business combinations; (ii) acquisition or disposition of assets; issuance of additional shares or other equity securities; (iii) timing and amount of dividend payments; and (iv) appointment of managers. Our Controlling Shareholders may cause us to, or prevent us from, entering into certain transactions, the result of which might not be in, or may conflict with, the best interests of our other Shareholder. We cannot assure you that our Controlling Shareholders will vote on Shareholders' resolutions in a way that will benefit all of our Shareholders.

### **Our retail business face risks relating to health epidemics**

Our retail business is susceptible to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degree of damage to the economy of Hong Kong as well as our retail business. Any future epidemics or pandemics may, among other things, severely restrict the level of economic activities in Hong Kong, and hence significantly disrupt our ability to maintain our normal operations. We are unable to predict the effect, if any, that such future epidemics or pandemics may have on our business.

## **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG**

### **Hong Kong is our principal market and our business is susceptible to any material deterioration in the economic and regulatory environment in Hong Kong**

Our business is currently located in Hong Kong and most of our customers were based in Hong Kong during the Track Record Period. We expect that Hong Kong will continue to be our principal market and place of operations. Accordingly, if Hong Kong experiences any material adverse economic or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, results of operations and prospects would be materially and adversely affected.

In addition, we do not have business presence in overseas jurisdictions, and may have difficulty in relocating our entire business operation to other geographic markets if there is any material deterioration in the economic and regulatory environment in Hong Kong.

### **Risk of taxation changes in Hong Kong**

Under the prevailing Hong Kong laws and regulations, our profit is subject to taxation in Hong Kong. There is no assurance that the prevailing tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may have an adverse impact on our business operations and financial results.

## RISK FACTORS

### **We may face difficulties in complying with the Competition Ordinance**

The Competition Ordinance came into force on 14 December 2015. In particular, the second conduct rule under the Competition Ordinance prohibits undertakings with a substantial degree of market power in a market from abusing that power by engagement in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong. In case of contravention, possible consequences include pecuniary penalty, disqualification of directors and prohibition orders. Please refer to the section headed “Regulatory Overview — Laws and regulations in Hong Kong — Competition” in this prospectus for further details.

According to Ipsos, we were ranked first in 2017 in the overseas manufactured tile retailing market in Hong Kong in terms of revenue, with a market share of approximately 27.2%. As the market leader in our industry with a sizeable market share, coupled with our expansion plan of opening additional retail shops and pursuing strategic acquisition of retail market players, we may be considered to be a company that has a substantial degree of market power and would be subject to the second conduct rule. There may be uncertainties in relation to compliance and infringement of the conduct rule. We may face difficulties and may need to incur legal costs in ensuring our compliance with the conduct rule. We may also inadvertently infringe the Competition Ordinance and in such an event, we may be subject to fines and/or other penalties, incur substantial legal costs and may result in business disruption and/or negative media coverage, which would adversely affect our business, results of operations and reputation.

### **RISKS RELATING TO THE SHARE OFFER AND OUR SHARES**

**There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares could be adversely affected and may decline below the Offer Price**

Prior to the Share Offer, there has been no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiation between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Offer Price may not be indicative of the price at which our Shares will be traded following the completion of the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer or the Listing, or that the market price of our Shares will not decline below the Offer Price.

**The liquidity and market price of our Shares following the Share Offer may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our turnover, earnings and cash flows and announcements of major contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

Volatility in the trading price of our Shares may be caused by factors beyond our control and may be unrelated to our results of operations. Factors affecting the volatility of the trading price of our Shares may include: (i) investors’ perception of us and our business plans; (ii) fluctuation in our results of operations; (iii) changes in pricing policy adopted by us and our competitors; (iv) changes in our senior management personnel; and (v) general economic factors.

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### **Interests of Shareholders in our Company may be diluted as a result of additional equity fund raising**

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

### **Our historical dividends are not indicative of future dividends**

No dividend was declared by our Group for the years ended 31 March 2015, 2017 and 2018. On 4 December 2015, RBMS HK declared an interim dividend of HK\$20.0 million to its then shareholder registered in the register of members of RBMS HK at the close of business on 30 November 2015. On 10 September 2018, the Company declared dividends of HK\$109,000,000 to RB Power, the then sole shareholder of the Company, and the dividends were settled by way of offsetting part of the amounts due from related companies to our Group under the instruction of Mr. Tso. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to the future dividend policy of our Group or as a reference or basis to determine the amount of dividends payable in the future. Although we paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. We may also not be able to pay dividends in accordance with our dividend policy. For more details of our dividends, please refer to the section headed “Financial Information — Dividends” in this prospectus.

### **Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline**

Future sales of a significant number of our Shares by us or our Controlling Shareholder in the public market after the Share Offer, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares.

We cannot assure you that our Controlling Shareholder will not dispose of his/its Shares or that we will not issue Shares in the future. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholder, or the availability of Shares for sale by our Controlling Shareholder, or the issuance of Shares by us may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholder or us, or the market perception that such sale or issuance may occur, could adversely affect the prevailing market price of the Shares.



## RISK FACTORS

### **RISKS RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES**

#### **Forward-looking statements may not be accurate or reliable**

This prospectus contains forward-looking statements and information which use terms such as “will”, “may”, “could”, “expect”, “believe”, “should” or “anticipate”. Those statements include, among others, discussion of our plans, objectives, expectations and intentions. Investors should be cautious against placing undue reliance on any forward-looking statements as it may involve risks and uncertainties and the assumptions upon which the forward-looking statements are based on could turn out to be inaccurate despite our belief that the assumptions are reasonable. Forward-looking statements should not be regarded as representations by us and prospective investors should not place undue reliance on such statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

#### **Investors should not unduly rely on any industry statistics derived from governmental sources**

Certain statistical and other publicly available information including those relating to Hong Kong and our industry have been derived or compiled from publicly available official governmental sources as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate and we have taken reasonable care in the selection and reproduction of such information in this prospectus. However, none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Share Offer has independently verified such information and it may be inaccurate, incomplete or outdated. We make no representation as to the accuracy or completeness of such information available and there is no assurance that such information is prepared to the same standard of level of accuracy with similar information available in other publications or jurisdictions. Therefore, prospective investors should not place undue reliance on information obtained from various governmental sources in this prospectus.

#### **We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer**

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Share Offer, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

## **WAIVER FROM COMPLIANCE WITH THE LISTING RULES**

In preparation for the Share Offer, we have sought the following waiver from strict compliance with certain provisions of the Listing Rules.

### **CONTINUING CONNECTED TRANSACTIONS**

We entered into, and are expected to continue after the Listing, certain continuing connected transactions. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements in respect of certain continuing connected transactions under Chapter 14A of the Listing Rules. For details, please refer to the section headed "Connected transactions" in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of the SFO and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

### **THE SHARE OFFER**

This prospectus is published solely in connection with the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms set out the terms and conditions of the Public Offer. The Share Offer comprises the Public Offer of initially 50,000,000 Public Offer Shares and the Placing of initially 450,000,000 Placing Shares (subject, in each case, to adjustment on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The Listing is sponsored by the Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters on the terms of the Public Offer Underwriting Agreement. The Share Offer is managed by the Sole Global Coordinator. The Placing is expected to be underwritten by the Placing Underwriters on the terms of the Placing Underwriting Agreement. For further details of the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus and the related Application Forms, and any information or representation not contained in this prospectus and the related Application Forms must not be relied upon as having been authorised by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors or any other persons or parties involved in the Share Offer.

**Each person acquiring the Offer Shares in the Share Offer will be required to confirm, or be deemed by its acquisition of Offer Shares to have confirmed, that it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.**

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer, the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

### ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and the permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding or disposing of and dealing in our Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasise that none of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY IN HONG KONG**

All Shares issued pursuant to applications made in the Share Offer will be registered in our Company's register of members to be maintained in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty.

Unless otherwise determined by our Company, dividends payable in HK dollars in respect of the Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each Shareholder.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The application procedure for the Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

### **COMMENCEMENT OF DEALINGS IN OUR SHARES**

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 19 October 2018. Shares will be traded in board lots of 20,000 Shares each. Our Company will not issue any temporary documents of title.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

### CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB, US\$ and Euro have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

RMB1: HK\$1.15

US\$1: HK\$7.85

EUR1: HK\$9.20

No representation is made that any amounts in RMB, US\$ and Euro can be or could have been at the relevant dates covered at the above rates or any other rates at all.

### ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Simon Tso (曹思豪)	House C35, Regalia Bay 88 Wong Ma Kok Road Stanley Hong Kong	Chinese
Ms. Tsui To Fei (徐道飛)	House C35, Regalia Bay 88 Wong Ma Kok Road Stanley Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Leung Wai Chuen (梁偉泉)	Room 1509, 15/F Block B Ka Ying House Ka Keung Court 3 Fu Mei Street Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ho Wing Tim (何榮添)	Flat A, 10/F Sunlight Garden 2 Man Wan Road Waterloo Hill Hong Kong	Chinese
Mr. Ng Wang To (吳宏圖)	Flat B, 6/F, Tower 1A The Wings IIIB 19 Chi Shin Street Tseung Kwan O Hong Kong	Chinese
Ms. Law Chui Yuk (羅翠玉)	Flat B, 23/F, Tower 2B The Wings IIIA 19 Tong Yin Street Tseung Kwan O Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed “Directors and Senior Management” in this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sponsor</b>	<b>Ample Capital Limited</b> <i>A licensed corporation engaging in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO</i> Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
<b>Sole Global Coordinator</b>	<b>Alpha Financial Group Limited</b> <i>A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO</i> Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
<b>Joint Bookrunners and Joint Lead Managers</b>	<b>Alpha Financial Group Limited</b> <i>A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO</i> Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
	<b>Future Land Resources Securities Limited</b> <i>A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO</i> Flat B, 20/F, Guangdong Investment Tower 148 Connaught Road Central Sheung Wan, Hong Kong
<b>Co-managers</b>	<b>AFG Securities Limited</b> <i>A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO</i> Room B, 17/F., Fortune House 61 Connaught Road Central Central, Hong Kong
	<b>China-Hong Kong Link Securities Company Limited</b> <i>A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO</i> 19/F 80 Gloucester Road Wanchai, Hong Kong



## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### **Run Investment Services Limited**

*A licensed corporation engaging in type 1 (dealing in securities) regulated activity under the SFO*

Room 08, 24/F, Dominion Centre  
43–59 Queen’s Road East  
Wanchai, Hong Kong

### **RaffAello Securities (HK) Limited**

*A licensed corporation engaging in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*

Unit 1701, 17/F, Low Block Grand Millennium Plaza  
181 Queen’s Road Central  
Central, Hong Kong

### **China Finance KAB Limited**

*A licensed corporation engaging in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO*

30/F Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

### **Eddid Securities and Futures Limited**

*A licensed corporation engaging in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO*

23/F, Mass Mutual Tower  
33 Lockhart Road  
Wan Chai, Hong Kong

### **Global Mastermind Securities Limited**

*A licensed corporation engaging in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO*

25/F, Nam Wo Hong Building  
148 Wing Lok Street  
Sheung Wan, Hong Kong

### **Legal advisors to our Company**

*As to Hong Kong law:*

#### **Sidley Austin**

Level 39, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

*As to Cayman Islands law:*

**Conyers Dill & Pearman**  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*As to the PRC law:*

**Commerce & Finance Law Offices**  
6F NCI Tower  
A12 Jianguomenwai Avenue  
Beijing  
PRC

*As to certain aspects of Hong Kong law:*

**Mr. Clay Huen**  
18th Floor, Kolling Centre  
77 Granville Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

**Legal advisors to the Sponsor and  
the Underwriters**

*As to Hong Kong law:*  
**Howse Williams Bowers**  
27/F, Alexandra House  
18 Chater Road  
Central  
Hong Kong

**Auditors and reporting accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Independent valuer**

**Roma Appraisals Limited**  
22/F, China Overseas Building  
139 Hennessy Road  
Wan Chai  
Hong Kong

**Industry consultant**

**Ipsos Limited**  
22/F, Leighton Centre  
77 Leighton Road  
Causeway Bay  
Hong Kong

**Receiving bank**

**Standard Chartered Bank (Hong Kong) Limited**  
15/F Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Compliance adviser**

**Ample Capital Limited**  
Unit A, 14/F  
Two Chinachem Plaza  
135 Des Voeux Road Central  
Central  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	50/F, China Online Centre 333 Lockhart Road Wanchai Hong Kong
<b>Company's website</b>	<b>www.rbmsgroup.com</b> <i>(information contained in this website does not form part in this prospectus)</i>
<b>Joint company secretaries</b>	Mr. Chan Cheung <i>Certified Public Accountant</i> Flat G, 11/F 8 Royal Green 8 Ching Hiu Road Sheung Shui Hong Kong  Mr. Sincere Wong <i>Solicitor</i> Flat E, 59/F, Block T1 The Harbourside 1 Austin Road West Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Simon Tso House C35, Regalia Bay 88 Wong Ma Kok Road Stanley Hong Kong  Ms. Tsui To Fei House C35, Regalia Bay 88 Wong Ma Kok Road Stanley Hong Kong
<b>Audit Committee</b>	Ms. Law Chui Yuk ( <i>Chairlady</i> ) Mr. Ho Wing Tim Mr. Ng Wang To

## CORPORATE INFORMATION

<b>Remuneration Committee</b>	Mr. Ng Wang To ( <i>Chairman</i> ) Ms. Law Chui Yuk Mr. Simon Tso
<b>Nomination Committee</b>	Mr. Simon Tso ( <i>Chairman</i> ) Mr. Ho Wing Tim Mr. Ng Wang To
<b>Corporate Governance Committee</b>	Ms. Law Chui Yuk ( <i>Chairlady</i> ) Mr. Ho Wing Tim Mr. Ng Wang To Mr. Sincere Wong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17/F Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
<b>Principal bankers</b>	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen’s Road Central Central Hong Kong  The Hong Kong and Shanghai Banking Corporation Limited Level 16, HSBC Main Building 1 Queen’s Road Central Hong Kong

## INDUSTRY OVERVIEW

*The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in the prospectus contains information extracted from the Ipsos Report, for the inclusion in this prospectus. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates, advisers, officers or representatives or any party involved in the Share Offer, other than Ipsos with respect to the information contained in the Ipsos Report and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

*The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.*

### INTRODUCTION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development, trends and competitive landscape of the tile retailing industry in Hong Kong for the period from 2012 to 2021 at a fee of HK\$876,000.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

### ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- The supply and demand of products and services in the tiles<sup>(1)</sup> retailing industry in Hong Kong market are assumed to be stable and without hold-up over the forecast period;
- There will be no external shocks such as financial crisis or natural disasters in the global market which could affect the demand and supply for the products and services of the tiles retailing industry over the forecast period; and
- The economic, social and political environment in Hong Kong is likely to remain stable over the forecast period, which provides a conducive environment for the development of the tile retailing industry in Hong Kong.

The following parameters are used in the market sizing and forecast model in the Ipsos Report:

- Average annual household consumption expenditure in Hong Kong from 2012 to 2021;
- Gross value of building finishing and other specialised construction activities performed in Hong Kong from 2012 to 2021;
- Gross import value of Italian and Spanish tiles in Hong Kong from 2012 to 2021;
- Gross import value of overseas manufactured tiles in Hong Kong from 2012 to 2021;
- Gross import value of tiles in Hong Kong from 2012 to 2021;

Based on the above, our Directors and the Sponsor are satisfied that the disclosure of future projection and industry data included in this section is not misleading.

*Note:*

<sup>(1)</sup> Tiles in Hong Kong market are all imported, including China and overseas manufactured tiles, in the absence of local production. Overseas manufactured tiles refer to tiles imported from countries other than the PRC, such as Italy, Spain, Dubai and Southeast Asia.

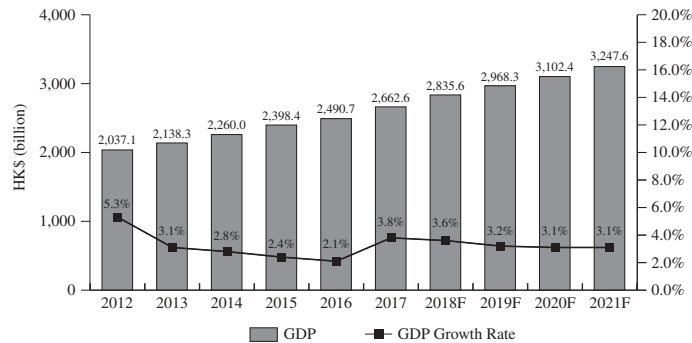
## INDUSTRY OVERVIEW

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report.

### OVERVIEW OF THE MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

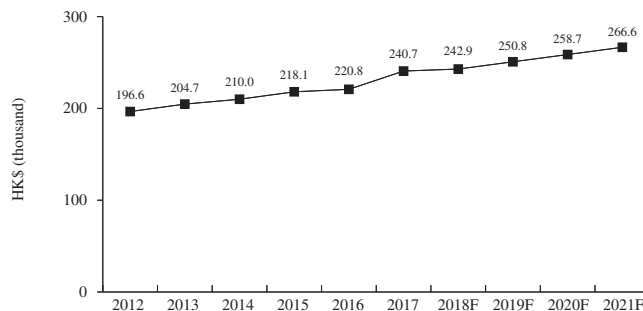
The chart below sets forth the GDP and GDP growth rate in Hong Kong from 2012 to 2017 and forecast from 2018 to 2021:



Source: International Monetary Fund; Census and Statistics Department, HKSAR; Ipsos research and analysis

The GDP value in Hong Kong grew from approximately HK\$2,037.1 billion in 2012 to approximately HK\$2,662.6 billion in 2017 at a CAGR of approximately 5.5% and is forecast to rise from approximately HK\$2,835.6 billion in 2018 to approximately HK\$3,247.6 billion in 2021 at a CAGR of approximately 4.6%.

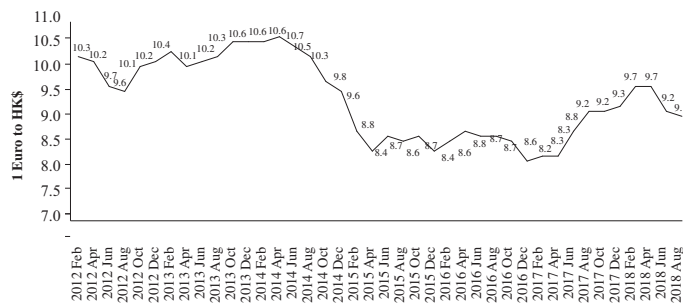
The graph below sets forth the private consumption per head in Hong Kong from 2012 to 2017 and forecast from 2018 to 2021:



Source: International Monetary Fund; Census and Statistics Department, HKSAR; Ipsos research and analysis

The private consumption per head in Hong Kong grew from approximately HK\$196.6 thousand in 2012 to approximately HK\$240.7 thousand in 2017, at a CAGR of approximately 4.1%. The rise was driven by the increase of the statutory minimum wage in 2013 and 2015 and a decreasing unemployment rate. From 2018 to 2021, the private consumption per head is expected to grow at a CAGR of approximately 3.2%, from approximately HK\$242.9 thousand in 2018 to HK\$266.6 thousand in 2021. The rising private consumption per head is likely to drive consumer spending on high-end tiles.

Italy and Spain are two leading global tile producers and exporters and their economic situation influences the tile retailing industry in Hong Kong. The graph below sets forth the exchange rate between the Euro and Hong Kong Dollar from 2012 to August 2018:



Source: European Central Bank

## INDUSTRY OVERVIEW

*Note:* The figures indicated on the graph are reflecting the average currency exchange rate of each month indicated on the X-axis.

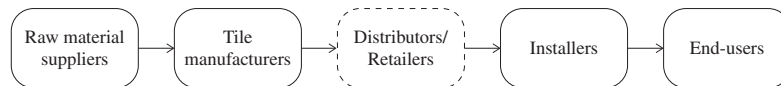
The historical exchange rate between the Euro and Hong Kong Dollar experienced an overall downturn where the Euro lost 6.7% in total from 2012 to 2017. The rate appeared to be relatively stable between 2012 to mid 2014, with the lowest value of the Euro being recorded at approximately HK\$9.4 in July 2012 and highest value at approximately HK\$10.8 in March 2014. After a decline in the second half of 2014, the exchange rate ranged from approximately 8.1 to 9.8 HKD/EUR from 2015 to August 2018. Yet, the exchange rate bounced moderately to the monthly average of 9.1 HKD/EUR in August 2018, while 9.7 HKD/EUR is the highest monthly average level since 2015. The downward trend in mid-2014 was attributed to the political and economic instability brought on by the European debt crisis. The depreciation in the exchange rate may have increased demand for Italian and Spanish tiles, as it reduces the cost of importing tiles from Italy and Spain.

### OVERVIEW OF THE TILES RETAILING INDUSTRY IN HONG KONG

Tiles can be broadly divided into three categories: (i) porcelain tiles, (ii) ceramic tiles and (iii) mosaic tiles. Porcelain tiles are formed with minerals, feldspar and clay, which are then processed under temperatures between 1,200°C and 1,400 °C with high pressure. Porcelain tiles have a vitrified structure, low porosity and highly impermeable to acids, dirt and frost. Porcelain tiles are ideal for installation in residential and public settings, even on intense foot and heavy traffic flooring. Ceramic tiles are a predominantly clay based material and the clay is fired in a kiln at a temperature ranging between 1,000°C–1,250°C. Compared to porcelain tiles, ceramic tiles do not need to be fired at high temperature, and is not as durable or moisture resistant as porcelain. Ceramic tiles are suitable to be used in areas of light to medium traffic areas but not for exterior use. Mosaic tiles are a classification of tiles, usually porcelain, ceramic or glass, that are of the size of 2 inch (5 cm) diameter or smaller, which are generally used to create patterns and for decorative purpose.

All tiles in the tile retailing industry of Hong Kong are imported in the absence of local production. During the 1980's and 1990's, the majority of imported tiles originated from Italy and Spain (approximately 60% of the total import value in 1995). Tiles from Italy and Spain were renowned for their design, quality and durability. At present, however, over 50% of tiles imported to Hong Kong are from China and are generally lower priced and targeted at the mass market. Tiles imported from Italy and Spain are generally high-end to luxury and are targeted towards wealthier customers. Tiles can be classified into price segments by their approximate area unit retail price. In general, tiles which are priced HK\$80 or above per sq. ft. are considered luxury tiles, tiles priced at HK\$40 to below HK\$80 per sq. ft. are considered high-end tiles, and tiles priced at below HK\$40 per sq. ft. are considered mass-market in the tile industry.

The diagram below highlights the supply chain of the tile retailing industry in Hong Kong:



*Source:* Ipsos research and analysis

The supply chain includes the following actors:

- **Raw material suppliers:** Clay is the main raw material in ceramic tiles, in addition to sand, quartz, feldspar, etc.. These materials are sourced from countries worldwide.
- **Tiles manufacturers:** The majority of tiles imported in Hong Kong are manufactured in Europe and China. Italy and Spain are two of the dominant players in high-end and luxury tiles manufacturing industry. China and India are major Asian producers who dominate the mass market tile production due to low manufacturing costs and abundant labour supply.
- **Distributors/retailers:** Distributors and retailers in Hong Kong import tiles from manufacturers and distribute them to end-users in Hong Kong and China. There has been an increasing merging of activities between distributors and retailers as distributors open retail shops to capture a larger proportion of the retail business.
- **Installers:** Tile installation is a skilled task, as it can involve intricate cutting of tiles for decorative layouts.
- **End-users:** The selection criteria for tiles varies by the type of end-user based on several factors including appearance, durability and price.

The key end-user segments in the tile retailing industry in Hong Kong are as follows:

- **Home owners/renters:** Demand for tiles comes from customers who have purchased new or second-hand properties, as well as those renovating their existing properties. Buyers find it increasingly difficult to afford new residential units and are therefore forced to buy on the secondary market. An expansion in the secondary market may drive up demand in the tile retail industry due to buyers renovating properties after purchase.
- **Corporate clients:** There has been an increasing trend in both the number of foreign corporations and new local companies operating in Hong Kong. This increases the demand for office space and therefore the need for tiles from this customer segment.



## INDUSTRY OVERVIEW

- Property developers:** Population growth and the structural housing supply shortage continue to fuel the development of new housing. The Hong Kong government promulgated a “Long Term Housing Strategy” in 2014 with the aim of increasing housing supply, which is likely to drive the construction industry and thus demand in the tile retailing industry.

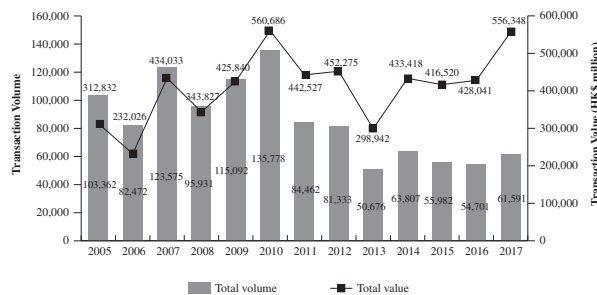
### Overview of residential property market

The number of private residential units completed in Hong Kong fluctuated and recorded an overall increase from 10,149 in 2012 to 17,791 in 2017 at a CAGR of approximately 11.9%. After a strong increase in the completion of large residential projects in 2014, the market slowed down in 2015 but in 2017 the number of new units was back at 17,791. Based on the latest assessment (as of 31 March 2017) on private residential developments, the Transport and Housing Bureau projected 96,000 additional private residential units on the market in the coming three to four years. This includes currently unsold units, units under construction and units from disposed sites where construction is about to start. This figure exceeds recent increases in the private housing supply and is likely to result in a higher demand for tiles.

The number of public rental housing units completed in Hong Kong slightly increased from 13,114 units in 2012 to 13,413 units in 2017, representing a CAGR of approximately 0.5%. However, the number of public rental housing units completed in Hong Kong is expected to increase to 20,500 units in 2018 and then it is expected to decrease to 13,800 units in 2021, at a CAGR of approximately -12.4%. Nonetheless, in December 2014, the Hong Kong Government promulgated a “Long Term Housing Strategy” which sets out a public residential production target of 20,000 units annually between 2015 and 2025. The public rental housing production is expected to be 73,300 units between 2017 and 2021. Such increase in forecasted public rental housing production may result in the potential growth of demand for tiles.

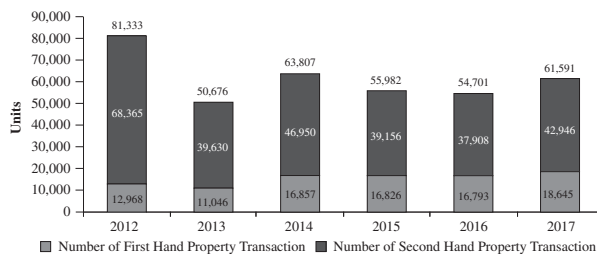
Compared with public residential unit owners, private residential unit buyers are more likely to have higher purchasing power and are therefore willing to spend more on high-end interior design materials such as tiles from Italy and Spain. The increase in private housing supply is likely to result in a higher demand for overseas manufactured tiles.

The graph below sets forth the transaction volume and value of residential property (both primary and secondary) in Hong Kong from 2005 to 2017.



Source: Rating and Valuation Department, HKSAR

The graph below sets forth the number of total residential property transactions in Hong Kong from 2012 to 2017:



Source: Land Registry, Hong Kong SAR; Ipsos research and analysis

Note: First hand property transactions are all referring to transactions of private housing units from the developers, while second hand transactions may include public housing units with land premium paid that are transferrable in the second hand property market.

Both the transaction volume and transaction value of residential property increased significantly from 2005 to 2010, despite the slump in 2006 and 2008. The transaction volume of residential properties including primary and secondary transactions increased from 103,362 in 2005 to 135,778 in 2010. The significant increase from 2005 and 2010 was attributed to the increasing number of property buyers and investors from Mainland China and the decreasing bank interest rate which lowered mortgage costs. The property market witnessed a substantial fall in 2008, with transaction volume dropping to 95,931, before rebounding in 2009. The fall in 2008 was primarily attributed to the global financial crisis, deterring

## INDUSTRY OVERVIEW

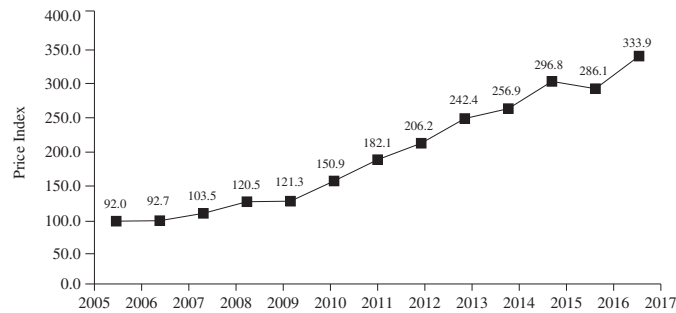
property buyers from purchasing residential properties given the poor market and consumer sentiment. Yet, the stimulus package of November 2008 in China boosted liquidity, and cash-rich Chinese continued investing in properties of Hong Kong, driving the recovery of the property market into 2009.

Both the transaction volume and value of residential property have experienced a considerable decrease from 2011 to 2016 and remain relatively low compared to the period from 2005 to 2010 partly due to government policies. To curb excessive property speculation and cool down the overheated property market, the Hong Kong government introduced several measures during 2011 and 2016. For instance, the Special Stamp Duty (SSD) was implemented in late 2010, the mortgage loan-to-value ratio was lowered in mid-2011 and the Buyer's Stamp Duty (BSD) has been introduced in late 2012. These three measures have together raised the costs of buying and selling a property, substantially lowering the transaction volume.

The decreasing trend of the number of total domestic sales including both primary sales and secondary sales has become stable since 2015. According to the Rating and Valuation Department, the number of total domestic sales in 2015 and 2016 remained at approximately 55,982 and 54,701 respectively. In addition, the property market witnessed a property price increase and recovery of domestic transaction volume, since late 2016, and the upward trend remains in 2017. It is expected that the transaction volume will remain the moderate upward trend in the short-to-medium term. For instance, the annual transaction volume of residential property (both primary and secondary) in the 2017 increased by a growth rate of approximately 12.6% compared to 2016, indicating that the property market in Hong Kong may start going up after digesting all the effects from various government tax policies and negative expectation on the property market. In general, the growing property market may prompt the growth of the tile industry.

The total number of residential property transactions experienced a decline between 2012 and 2017, representing a CAGR of approximately -5.4%. Amid the slight drop in the property sales transactions from 2012 to 2017, the tiles industry in Hong Kong may be adversely affected because there are fewer people buying new homes or moving into new properties, which might prompt less demand for tiles. Nevertheless, it is also important to note that the market of tile also depends on (i) the purchasing power and/or willingness to pay on home renovation, and (ii) the demand for renovation from the home renters.

The graph below sets forth the private residential property price index in Hong Kong from 2005 to 2017:



Sources: Rating and Valuation Department, HKSAR; Lands Registry, HKSAR

The private residential property price index in Hong Kong increased significantly from approximately 92.0 in 2005 to approximately 333.9 in 2017, representing a CAGR of approximately 11.3%, which was mainly due to the strong demand from local residents, along with the low interest rate at the time resulting in a low mortgage cost and insufficient housing supply. The surging trend of the residential property price, especially since 2009, suppressed the demand of local end-users who possess increasing consumption power and are exempted from some of the regulatory measures aimed at cooling the property market.

Amid the rising interest rate due to the increase of the US federal fund rate and other tightening housing policies, the property market in early and mid-2016 experienced slow growth, featuring with low transaction volume and decreasing property price. Potential property purchasers were adopting a “wait and see” approach due to the possibility of further price correction in the overall residential property market in the recent future. Since late 2016, the property market witnessed a property price increase and recovery of domestic transaction volume, and the upward trend remains in 2017. It is expected that the transaction volume will remain the moderate upward trend in the short-to-medium term.

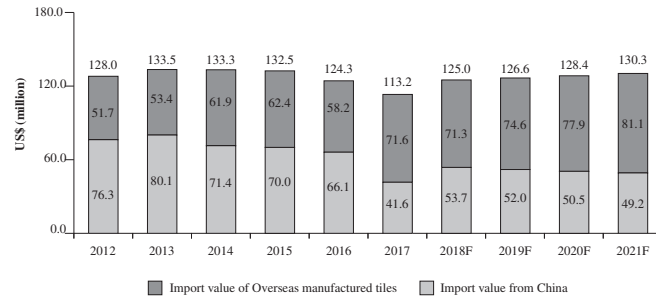
Additionally, the increasing transaction value of residential property (both primary and secondary) since the 3rd quarter of 2016 may likely to drive up the incentive to release more property projects from the land developers in Hong Kong. It is observed that there is an increasing number of mainland Chinese developers to tender land sites for developing their potential property projects, in which these mainland Chinese developers heated up the land auctions at the 4th quarter of 2016 and 1st quarter of 2017. Also, in order to attract more buyers, there is an increasing number of developers start rolling out more flexible payment terms to help property purchasers spread the upfront costs. Hence, with the expectation

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on the aforementioned factors will be persisted in the coming five years, the transaction volume of residential property is expected to remain on a similar level, or at most suffer from minor fluctuations during the forecast period, with an underlying assumption that there are no external shocks such as financial crisis that may potentially impact the economic conditions of Hong Kong. Therefore, the market of tile in Hong Kong is expected to remain a constant growth in the future five years, given the expectation on the increase in the retail price of tile and the willingness to pay on home renovation remaining constant.

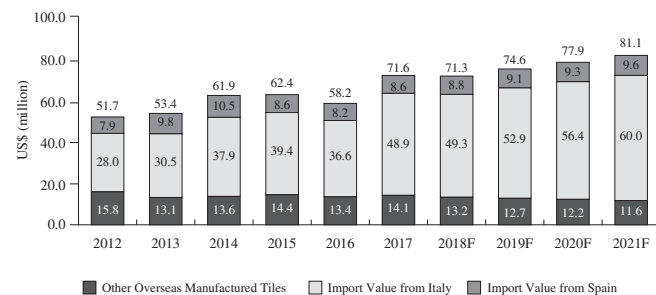
### Overview of tiles industry in Hong Kong

The graph below sets forth the total import value of tiles in Hong Kong from 2012 to 2017 and forecast from 2018 to 2021:



Source: Census and Statistics Department, HKSAR; UN Comtrade; Ipsos research and analysis

The graph below sets forth the total import value of overseas manufactured tiles in Hong Kong from 2012 to 2017 and forecast from 2018 to 2021:



Sources: Census and Statistics Department, HKSAR; UN Comtrade; Ipsos research and analysis

Notes:

- (1) The import value is forecast based on the annual disposable income in Hong Kong, number of public residential units, number of private residential units, exchange rate of Hong Kong dollars against Euro in the forecasted period, past trend of tiles import value from Spain, Italy and the rest of the world, and/or the historical data of number of households in Hong Kong.
- (2) The forecast figures are estimated based on the most updated figures as of December 2017 and may be subject to revision.
- (3) Import value of tiles includes (1) HS Code 6907, unglazed ceramic flags and paving, ceramic tile, ceramics products, unglazed, unpolished and (2) HS Code 6908, glazed ceramic flags and paving, glazed ceramic mosaic cubes and the like.
- (4) The import value may be higher than the estimated revenue of the tiles retailing industry because the import value includes tiles imported to Hong Kong and subsequently re-exported, as well as the value of tiles outside of the retail channel (for example, imported directly for large real estate projects).

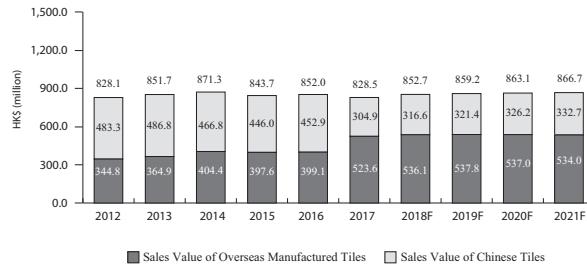
The total import value of tiles in Hong Kong decreased from approximately US\$128.0 million in 2012 to US\$113.2 million in 2017 at a CAGR of approximately -2.4%. The total import value of overseas manufactured tiles in Hong Kong increased from approximately US\$51.7 million in 2012 to approximately US\$71.6 million in 2017, presenting a positive CAGR of approximately 6.7%. The import value of Italian tiles increased from approximately US\$28.0 million in 2012 to approximately US\$48.9 million in 2017, representing a CAGR of approximately 11.8%. For Spanish tiles, the import value increased from approximately US\$7.9 million in 2012 to approximately US\$8.6 million in 2017, representing a CAGR of approximately 1.7%. The increased import value of Italian and Spanish tiles from 2012 to 2017 could be attributed to the increasing prevalence of tiles with better design and quality among families, offices and high-end real estate development projects.

From 2018 to 2021, the total import value of tiles is forecast to rise from approximately US\$125.0 million to US\$130.3 million at a CAGR of approximately 1.4%. Total import value of overseas manufactured tiles is forecast to rise from approximately US\$71.3 million to approximately US\$81.1 million at a CAGR of approximately 4.4%. The import value of Italian tiles is expected to increase from approximately US\$49.3 million in 2018 to approximately US\$60.0 million by 2021, at a CAGR of

## INDUSTRY OVERVIEW

approximately 6.7%. The import values of Spanish tiles are likely to reach approximately US\$9.6 million in 2021 from approximately US\$8.8 million in 2018, representing a CAGR of approximately 2.7%.

The graph below sets forth the estimated revenue of the tile retailing industry in Hong Kong, segmented by China and overseas manufactured tiles, from 2012 to 2017 and forecast from 2018 to 2021:



Sources: Census and Statistics Department, HKSAR; UN Comtrade; Ipsos research and analysis

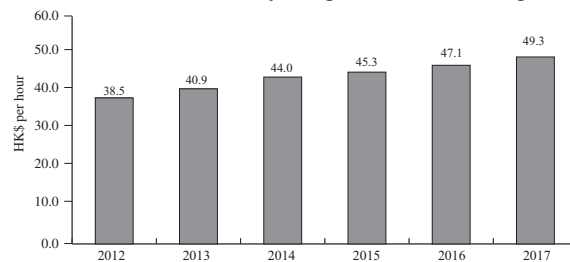
Note:

The basis of forecasted figures include the annual disposable income in Hong Kong, number of public residential units, number of private residential units and exchange rate of Hong Kong dollars against Euro in the forecasted period.

The estimated revenue of the tile retailing industry increased from approximately HK\$828.1 million in 2012 to approximately HK\$828.5 million in 2017, and is forecast to rise to approximately HK\$866.7 million in 2021. The estimated revenue of the overseas manufactured tiles retailing industry increased from approximately HK\$344.8 million in 2012 to approximately HK\$523.6 million in 2017, representing a CAGR of approximately 8.7%, and is expected to remain stable from approximately HK\$536.1 million in 2018 to approximately HK\$534.0 million in 2021, at a CAGR of approximately -0.1%. Tiles imported from European countries are likely to remain attractive since (i) they are the trend setter of tiles offering various designs attracting customers with different preferences; and (ii) Euro is expected to remain weak. The revenue of the tile retailing industry has increased between 2012 and 2017. The growth of the market could be possibly attributed but not limited to: (1) new property completions<sup>(1)</sup> each year constructed by the Hong Kong government and private property developers and thus demanding tiles for these new properties, counteracting the sales drop from the retail customers; (2) stable number of residential property leases<sup>(2)</sup> which in turn requires landlords to renovate their properties before leasing out to tenants and thus demanding for more building materials, such as tiles; and (3) inflation over the years<sup>(3)</sup>. These aforementioned factors have together contributed to the moderate growth of the tiles retailing industry and potentially offset the adverse impacts due to the decreasing residential property transaction volume.

The retail price of high-end tiles varies depending on the design, brand name, durability and country of origin. High-end tiles are defined as those with a retail price between HK\$40 to below 80 per sq. ft. Some brands and designs however can be sold at more than HK\$80 per sq. ft. The average price of high-end tiles from 2012 to 2017 was relatively stable with annual growth of approximately 1% to 2%, although some types of high-end tiles experienced a price drop due to the depreciation of the Euro.

The graph below sets forth the median hourly wage in the retailing industry from 2012 to 2017:



Source: Census and Statistics Department, HKSAR; Ipsos research and analysis

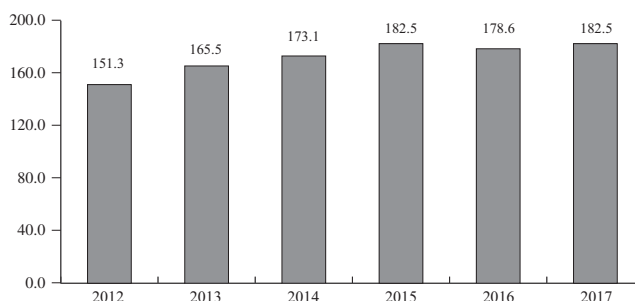
Notes:

- (1) The calculation of the estimated revenue incorporated the following factors: (1) number of tile retail shops; (2) product portfolio of tiles in retail shops; (3) average retail price of overseas manufactured and Chinese tiles; (4) private consumption expenditure on household maintenance; (5) average sales per store per month; and (6) number of private buildings completed.
- (2) The stock numbers of residential property units in 2012 to 2017 are 1,117,932, 1,123,633, 1,136,340, 1,145,454, 1,158,765 and 1,174,628 respectively.
- (3) Number of lease agreements in 2012 to 2017 are 4,885, 4,823, 5,031, 4,231, 4,109 and 4,180 respectively.
- (4) The composite CPI from 2012 to 2017 was 4.1, 4.3, 4.4, 3.0, 2.4 and 1.5 respectively.

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The median hourly wage in the retailing industry increased steadily from approximately HK\$38.5 in 2012 to approximately HK\$49.3 in 2017, representing a CAGR of approximately 5.1%. This increase for salespersons was due to the rising minimum wage as well as a labour supply shortage. The increasing salary trend in the retailing industry contributes to increased costs for tiles retailers.

The graph below sets forth the private retail rental index in Hong Kong from 2012 to 2017:



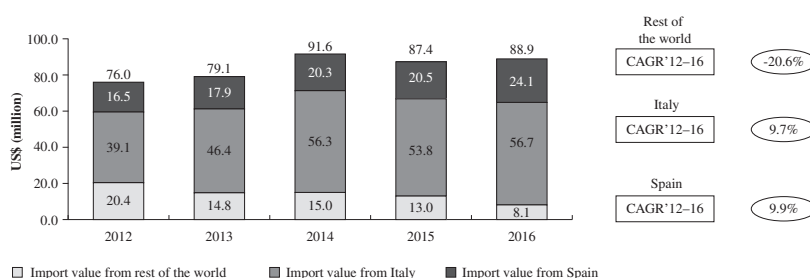
Source: Rating and Valuation Department, HKSAR, Census and Statistics Department, HKSAR; Ipsos research and analysis

The private retail rental index (100 in 1999) increased from approximately 151.3 in 2012 to approximately 182.5 in 2017, representing a CAGR of approximately 3.8%. The increase was due to the high demand for retail space and the limited supply. The rising retail rental cost may affect the tiles retailing industry by increasing operation costs.

On the other hand, it is common that players in the tile distribution industry and tile retailers in Hong Kong to have long inventory turnover days. Except for large scale projects which usually require tailor-made tile specifications such that tile distributors normally place orders from suppliers based on customers' requested quantities, tile distributors would also stock up different designs and types of tile products for small scale renovation projects of project and corporate customers which may require prompt delivery. Given the limited time frame in renovation projects, tile distributors who can promptly provide various products to customers will possess a competitive advantage over the other players. Therefore, it is common that tile distributors would have a large inventory storage and diversified product portfolio. However, large inventory storage would normally led to the situation of long inventory turnover days. This is due to the fact that tiles distributors often have a small quantity of leftover tiles for each design of tiles in their inventory, which were originated from bulk purchases. Tile distributors who do not have retail channels may find difficulties in selling such leftover tiles to other project customers who require tile quantities more than those leftover quantities, given that the colour and pattern of different batches of tiles may vary in spite of ordering from the same supplier. On the other hand, tile distributors with retail channels usually need longer time to clear such leftover inventory through providing promotional discounts and design suggestions to retail customers. Moreover, tile retailers usually maintain a high inventory level to accommodate their product offering to fulfil various needs from their retail customers, to avoid any shortage of supplies and to ensure timely delivery of products to customers in order to maintain their competitive advantage over smaller tile retailers. Therefore, it becomes an industry norm that tile distributors and tile retailers face long inventory turnover days.

### OVERVIEW OF THE IMPORTED TILE RETAILING INDUSTRY IN CHINA

The graph below sets forth the total import value of tiles in China from 2012 to 2016:



Sources: UN Comtrade; National Bureau of Statistics, PRC; Ipsos research and analysis

Notes:

- (1) The basis of forecasted figures include the urbanisation rate in China, annual household disposable income, and the impact of the Chinese government's initiatives in reducing the inventory of residential properties in China in the forecasted period.
- (2) 2017 figures will be available in 2019.

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The import value of Italian tiles and Spanish tiles in China increased from US\$39.1 million and US\$16.5 million in 2012 to US\$56.7 million and US\$24.1 million in 2016, representing a CAGR of 9.7% and 9.9% respectively. Such growth in import values is attributed to the boom of the real estate market over the years coupled with the depreciation of Euro in 2014. As a result, the imported tile retailing industry in China witnessed the considerable increase in demand for European tiles, especially from Italy and Spain.

### COMPETITIVE ANALYSIS OF THE IMPORTED TILE RETAILING INDUSTRY IN CHINA

The imported tile retailing industry in China is relatively fragmented without major distributors accounting for considerable market shares. Tile manufacturers from overseas work with local distributors in China as partners to expand their sales network and establish retail stores. Imported tile retailers are primarily clustered in Beijing, Shanghai, Guangzhou, Foshan and Shenzhen. Particularly, the imported tiles retailing industry in Guangdong province is more developed given that many tiles-related businesses are located in Foshan. The market share of imported tiles in China is gradually expanding because an increasing number of consumers are having higher requirements on tile design and quality in order to improve their living standards.

The entry barriers to the imported tile retailing industry in China are as follows:

- **Market saturation:** The tile retailing industry in China is saturated with many market players, and the competition is intense. There are more than 2,000 tile manufacturers in China and they mainly manufacture local brands of tiles and sell at a low price. Therefore, it may be a challenge for new entrants to enter the market if their products do not have high brand-awareness and fail to distinguish themselves from the rest of the market.
- **Presence of established imported tiles brands:** Given the sales network established between imported tiles manufacturers and local agents, distributors and retailers, a solid brand image may have already created a higher reliance of customers towards such brands. This may in turn pose an entry barrier for new entrants who lack market experience and local connections.

There are two key opportunities to the imported tile retailing industry in China. Firstly, the demand for high quality, trendy and personalised products is forecasted to be growing given the annual household disposable income in China is increasing. Secondly, a rising urbanisation rate and the Chinese government's initiatives to lower residential property inventory may stimulate the sales of residential properties and thus drive the demand for imported tiles.

There are two major threats to the imported tile retailing industry in China. Firstly, it is increasingly popular among price sensitive customers to use PVC plastic or laminate wood flooring instead of ceramic or natural stone tiles due to the potential lower cost.

Secondly, some local manufacturers may copy designs of imported tiles and reproduce the design on their products while selling at a lower price, which may harm the sales performance of the imported tile retailing industry in China.

With regard to the cross border transaction in China, it is a typical way for local companies in China to find a foreign trade operator, which is a registered company with qualification to conduct in foreign trade business, to import/export goods and handle money settlements on behalf of the local companies in a cross border transaction.

### COMPETITIVE ANALYSIS OF THE TILE RETAILING INDUSTRY IN HONG KONG

The tile retailing industry in Hong Kong is considered highly competitive and fragmented. Our Company was the largest player in the tile retailing industry in 2017 in terms of revenue with an approximately 27.2% market share of the overseas manufactured tile retailing industry and an approximately 17.2% market share of the overall tile retailing industry in Hong Kong. The imported tile retailing industry is equivalent to the overall tile retailing industry, since all tiles are imported in Hong Kong in the absence of local production. The tile retailing industry is a mature market where there has been gradually decreasing number of new entrants in the industry. In 2017, there were approximately 40 tile retailers in Hong Kong. Tile retailers generally focus on selling either mass market to high-end tiles, or the high-end to luxury tiles. Tile retail shops are mainly concentrated in three areas: Wanchai, Mongkok and Yuen Long. Larger tile distributors usually have approximately three to six stores.

As at August 2018, there is a total of 133 retail stores selling tiles in Hong Kong, with a total of 78 retail stores, of approximately 58.6% of the total retail stores selling tiles in Hong Kong, primarily selling Spanish and Italian tiles in Hong Kong. The rest of the retail stores primarily sell mainland Chinese tiles.

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	2015	2016	2017	August 2018
Approximate number of retail stores selling tiles in Hong Kong	116	128	134	133
Approximate number of retail stores selling Spanish/Italian tiles in Hong Kong	68	75	79	78

The market of the tiles retailing is generally stable with slight growth in the number of retail stores from 2015 to August 2018. Additionally, based on interviews with industry stakeholders, the Spanish and Italian tiles retailing market has encountered more competition in the said period for the following reasons: (i) quality of tiles manufactured in mainland China, which may serve as an alternative to Spanish and Italian tiles, get improved; (ii) design and pattern of mainland Chinese tiles get more variety compared to the past; (iii) more mainland Chinese tiles received certifications such as ISO 9001 or recognition of environmentally friendly building materials; and (iv) mainland Chinese tiles are generally less expensive than Spanish and Italian tiles. With the aforementioned reasons, the market of Spanish and Italian tiles retailing may be moderately affected due to the competition.

Despite the improvement of mainland Chinese tiles, the Spanish and Italian tile are still considered a preferable option over the mainland Chinese tiles on the market due to their better quality, trendy design, branding image, and function. Thus, the impact to the Spanish and Italian tiles retailing market is moderate despite the increasing competition from mainland Chinese tiles.

The table below details the top five companies in the overseas manufactured tile retail market in Hong Kong in 2017, ranked by revenue<sup>(1)</sup> and related market share:

Ranking	Company	Revenue (HK\$ million)	Market share	Number of overseas manufactured tiles retail shops	Estimated Gross Floor Area of Tiles Retail Shops (sq. ft.)	Estimated gross floor area of retail shops dedicated to Italian and Spanish tiles (sq. ft.)	Average overseas manufactured tiles retail shop size (sq. ft.)
1	The Company	142.3	27.2%	17 (August 2018)	13,932	13,932	820
2	Competitor 1	47.8	9.1%	6	5,300	5,300	883
3	Competitor 2	45.5	8.7%	5	5,050	5,050	1,010
4	Competitor 3	42.0	8.0%	9	7,600	6,660	740
5	Competitor 4	29.2	5.6%	6	3,750	3,240	540
	Others	216.8	41.4%				
	<b>Total</b>	<b>523.6</b>	<b>100.0%</b>				

Source: Ipsos Report

The entry barriers to the tile retailing industry in Hong Kong are as follows:

- **Knowledgeable sales personnel:** Sales personnel in the overseas manufactured tile retailing industry generally require three to four years' experience to master the significant amount of knowledge required. Therefore it may be a challenge for new entrants to hire experienced sales personnel who have adequate knowledge of the retailer's product range.
- **Formation of partnership/exclusive distribution agreements:** It is a common practice for overseas manufactured tile retailers to enter partnership agreements with tile manufacturers. New entrants may be unable to enter into partnerships or exclusive distribution agreements with manufacturers if they do not satisfy manufacturer's requirements, such as minimum annual order volumes. Therefore, a significant amount of capital is required to maintain a stable inventory supply, which creates an entry barrier for new entrants.

There are three key opportunities to the tile retailing industry in Hong Kong. Firstly, the increasing supply of private residential units may result in a higher demand for building and decorative materials such as ceramic tiles and thus drive the tile retailing industry. Secondly, there is a growing design trend for tile to replace other materials such as marble and timber for both flooring and other design applications. Thirdly, in the Budget Speech for 2018–19, the Hong Kong government announced a budget for total public expenditure of HK\$85,636 million on public infrastructure. There are a number of on-going and planned infrastructure development plans such as the five new MTR rail extensions targeted for development between 2016 and 2026. The design of these new MTR stations may require

Note:

- <sup>(1)</sup> (A) The calculation of the revenue incorporated the following factors: (1) number of tile retail shops; (2) product portfolio of tiles in retail shops; (3) average retail price of overseas manufactured and Chinese tiles.  
 (B) Revenue of the Company refers to the revenue generated from their retail customers during 1 April 2017 to 31 March 2018.

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decorative materials such as floor tiles, wall tiles, granite tiles, glazed wall systems and enamel panels, which is likely to drive the demand for tiles. Additionally, the related residential and commercial developments close to the infrastructure developments, such as the on-going Kai Tak development which includes residential and commercial land use, is expected to bring more business opportunities to the tile retailing industry in Hong Kong.

The major threat to the tile retailing industry is the substitution of ceramic tiles for other cheaper decorative materials such as plastic. It is increasingly popular amongst price sensitive customers to use PVC plastic and laminate wood flooring instead of ceramic or natural stone tiles due to the lower cost. These floorings can be purchased through some tiles retail stores in Hong Kong as well as other vendors. On average, the price of PVC plastic flooring for residential use is approximately HK\$20 to HK\$40 per sq. ft., and these floorings can be installed easily and efficiently. Meanwhile, the price of laminate wood flooring in Hong Kong varies, mainly ranges from approximately HK\$15 to HK\$35 per sq. ft. Both of these materials serve as an alternative to customers with limited budgets who purchase mass market tiles.



### LAWS AND REGULATIONS IN HONG KONG

#### Sale of goods

In Hong Kong, civil liability in relation to product liability claims under sale of goods arises under the law of contract and/or the law of negligence.

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). In relation to consumer transactions, certain terms are implied into sale contracts to strengthen protection to consumers. These include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances.

Retailers and distributors in Hong Kong may also owe a duty of care to consumers and be liable for damage resulting from defects developed in the goods caused by their negligent acts or for any fraudulent misrepresentation made in the distribution and sale of the goods. Liability may arise if a retailer or distributor disregards the instructions of the manufacturers or suppliers in handling the relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer or distributor knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

The extent to which liability for breach of contract, or for negligence or other breach of duty, can be avoided through contractual terms is limited by the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong). The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) further empowers the courts of Hong Kong to refuse to enforce any consumer contracts, enforce the remainder of a contract without the unconscionable part, or limit the application of, revise or alter any part which is found to be unconscionable.

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) imposes certain obligations on manufacturers, importers and suppliers of general consumer goods. Under the Consumer Goods Safety Ordinance, a person shall not supply, manufacture or import into Hong Kong consumer goods unless the consumer goods comply with the general safety requirement or the applicable approved standard for the particular consumer goods. The general safety requirement is an objective test which requires the consumer goods supplied to be reasonably safe having regard to all of the circumstances, including the manner in which the goods are presented and promoted, the instructions or warnings given, reasonable safety standards published by a standards institute, and the existence of any reasonable means to make the goods safer taking into account the cost, likelihood and extent of any improvement.

Criminal sanctions are imposed for violations of such requirements unless a due diligence defence can be successfully established. The Commissioner of Customs and Excise has the power under the Consumer Goods Safety Ordinance to serve on a person a recall notice requiring the immediate withdrawal and retrieval of consumer goods which he reasonably believes to be unsafe or do not comply with approved safety standards, and that there is a significant risk that the consumer goods will cause a serious injury.

## REGULATORY OVERVIEW

### Advertising and promotion practices

Hong Kong does not have a single generic legislation to govern or regulate advertising practice. There are however a number of legislations regulating advertising and promotion practices, such as the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). A trade description, in relation to goods, means an indication, direct or indirect, and by whatever means given, with respect to any goods or parts of goods including an indication of, among other things, quantity, method of production, composition, fitness for purpose, performance, compliance with a standard, and/or place of origin. Under the Trade Descriptions Ordinance, it is an offence for any person to apply a false or misleading trade description to goods or to supply goods to which false trade descriptions have been applied. The Trade Descriptions Ordinance also prohibits specified unfair trade practices deployed by traders against consumers, including false trade descriptions of goods used in advertisements, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment. The Trade Descriptions Ordinance provides a mechanism enabling aggrieved consumers to commence civil actions to recover any loss or damage suffered in addition to criminal sanctions. The Customs and Excise Department is responsible for enforcing the Trade Descriptions Ordinance and its subsidiary legislations.

### Carrying on business

Under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), every person (a company or individual) carrying on a business in Hong Kong is required to register with the Inland Revenue Department and is required by the Business Registration Ordinance to obtain a business registration certificate within one month of the commencement of the business. Such business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and therefore, designed to facilitate the Inland Revenue Department to collect tax from businesses in Hong Kong.

### Competition

The Competition Ordinance prohibits conducts that prevent, restrict or distort competition in Hong Kong and prohibits mergers that substantially lessen competition in Hong Kong. The Competition Ordinance lays down three forms of behaviour and imposes three rules which are intended to prevent and discourage anti-competitive conduct:

The first conduct rule under the Competition Ordinance prohibits agreements between undertakings that have the object or effect of preventing, restricting or distorting competition in Hong Kong (the “**First Conduct Rule**”). The second conduct rule under the Competition Ordinance prohibits undertakings with a substantial degree of market power in a market from abusing that power by engaging in conduct that has the object or effect of preventing, restricting or distorting competition in Hong Kong (the “**Second Conduct Rule**”). The merger rule under the Competition Ordinance prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong (the “**Merger Rule**”). Currently, the merger rule only applies to the telecommunications sector. Each of the aforesaid rules is however subject to a number of exclusions and exemptions.

The Competition Ordinance has extra-territorial application insofar as agreements and conducts which take place outside Hong Kong, but have the object or effect of preventing, restricting or distorting competition in Hong Kong, are caught by the Competition Ordinance.

## REGULATORY OVERVIEW

Under the Competition Ordinance, the Competition Commission and the Competition Tribunal have been established. The Competition Commission will be responsible for investigating and bringing enforcement actions before the Competition Tribunal whilst the Competition Tribunal will be responsible for adjudicating competition cases brought by the Competition Commission or via private actions. In case of contravention of the competition rules under the Competition Ordinance, the Competition Tribunal has a broad range of sanctions against the offenders including impositions of pecuniary penalty, director disqualifications and prohibition, damage and other orders.

### **Third party contract rights**

The Contract (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) enables a party who is not a party to a contract to enforce a term of a contract if the contract expressly provides that such third party may do so or if the relevant term of the contract purports to confer a benefit on an identifiable third party. The Contract (Rights of Third Parties) Ordinance refers to the enforceability of “a term” as opposed to the whole contract by a third party. The parties may specify in the contract what terms are enforceable by which third party and what terms are not and exclude the operation of the Contract (Rights of Third Parties) Ordinance to the remaining terms of the contract. The parties may also exclude the operation of the Contract (Rights of Third Parties) Ordinance by including in the contract a provision that a person who is not a party to the contract shall not have any rights under the Contracts (Rights of Third Parties) Ordinance to enforce any term of the contract.

### **Employment**

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) provides for the protection of the wages of employees, regulates general conditions of employment and employment agencies, and for matters connected therewith. Under the Employment Ordinance, employees who are employed under a continuous contract are entitled to additional benefits including but not limited to rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Where an employer wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due, or fails to pay interest on the outstanding amount of wages to the employee is liable on conviction to a fine and imprisonment. Where an employer who is no longer able to pay wages due, he should terminate the contract of employment in accordance with its terms.

### **Minimum wage**

The current Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. As at the Latest Practicable Date, the prescribed minimum hourly wage rate was HK\$34.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

### **Mandatory provident fund**

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), employers shall participate in a Mandatory Provident Fund Scheme (“**MPF Scheme**”) for employees employed under the jurisdiction of the Employment Ordinance. Under the Mandatory Provident Fund Schemes Ordinance, except for exempt persons, employees (full-time and part-time) and self-employed persons who are at least 18 but under 65 years of age are required to join an MPF Scheme.

Under the MPF Scheme, both the employer and each of its employees are each required to make contributions to the plan at 5% of the employee’s relevant income, subject to a monthly relevant income cap of HK\$30,000 for employers and a minimum and maximum monthly relevant income cap of HK\$7,100 and HK\$30,000 respectively for employees. Where the employee’s income exceeds HK\$30,000, both the employer and employee shall contribute a monthly sum of HK\$1,500 to the plan. This contribution amount will immediately be vested in the employee as his/her accrued benefits in the MPF Scheme. Employers found to have evaded payment of MPF contributions, deducted employer contributions from an employee’s pay, or failed to enrol their employees to an MPF Scheme, may be liable to a financial penalty and potential criminal prosecution.

### **Employees’ compensation**

Under the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to secure an insurance cover commits an offence and is liable on conviction to a fine and imprisonment.

### **Occupational safety and health**

Under the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers must ensure the safety and health of their workplace by (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplace; and (v) providing and maintaining a safe and healthy work environment. An employer who fails to comply with the above may be liable on conviction to a fine and imprisonment, if he did so intentionally, knowingly or recklessly.

The Occupational Safety and Health Regulation (Chapter 509A of the Laws of Hong Kong) further sets out basic requirements for accident prevention, fire precaution, workplace environment control, hygiene at workplaces, first aid, as well as what employers and employees are expected to do in manual handling operations.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## HISTORY AND DEVELOPMENT

Our Company was incorporated in the Cayman Islands on 25 September 2015 in anticipation of the Listing. Our Company is principally engaged in investment holding. As of the Latest Practicable Date, our Company had five subsidiaries, namely RBMS BVI, RBMS HK, Fortune Rich, Regent Building and Petracer's China. RBMS HK is our principal operating subsidiary incorporated in Hong Kong.

Our Group's history can be traced back to April 1998 when Mr. Tso invested in RBMS HK through subscribing for shares in RBMS HK, representing 30% of the then enlarged issued share capital of RBMS HK with his personal investments. Subsequent to a series of share transfers and allotments of shares which took place between September 1998 and January 2001, RBMS HK became owned as to 40% by Mr. Tso and 60% by Ms. Tsui holding on trust for Mr. Tso.

RBMS HK commenced its business in 1998 and was principally engaged in the sourcing of building materials on project basis. In 2001, under the leadership of Mr. Tso, we opened our first retail shop on the Hong Kong Island side at Lockhart Road, Wanchai, and our first retail shop on the Kowloon side at Argyle Street, Mongkok, which are prime retail locations for home improvement and furnishing materials in Hong Kong. Since then, our business maintained a steady pace of growth and we expanded our retail network in Hong Kong and enhanced our market presence by rolling out additional retail shops at Lockhart Road, Wanchai and Portland Street, Mongkok. In 2012, we opened our first retail shop in the New Territories, namely Yuen Long. As of the Latest Practicable Date, we had a total of 18 retail shops, ten of which were located at Lockhart Road, Wanchai, seven were located at Portland Street, Mongkok and the remaining one in Yuen Long.

## BUSINESS MILESTONES

Set forth below are the key milestones in development of our business:

<b>Month/Year</b>	<b>Event</b>
March 1998	RBMS HK, our operating company was incorporated and we commenced our business in sourcing building materials
March 2001	We opened our first retail shop at Lockhart Road, Wanchai
October 2001	We opened our retail shop at Argyle Street, Mongkok
June 2011	We started to distribute our products to PRC customers
April 2012	We opened our retail shop at Yuen Long, the New Territories
September 2015	We were awarded the Ceramica Distributor Award 2015 by Confindustria Ceramica, the association of Italian ceramic tile and refractory material manufacturers

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## CORPORATE DEVELOPMENT

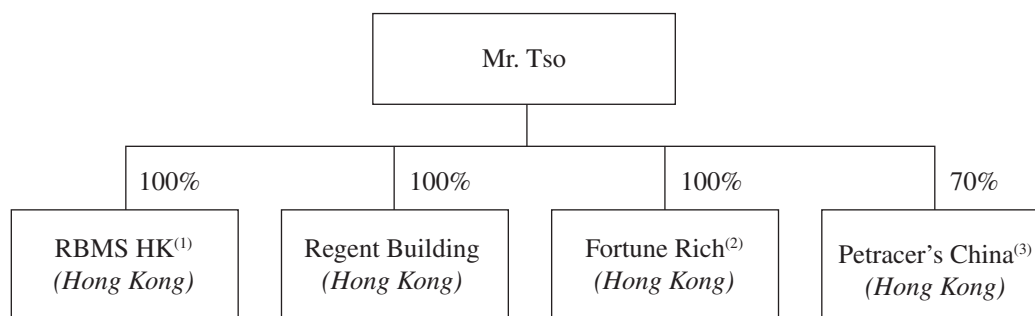
### RBMS HK

We conduct most of our operations through RBMS HK, our indirect wholly-owned subsidiary in Hong Kong. RBMS HK is primarily engaged in the retail of overseas manufactured tile products in Hong Kong. RBMS HK was incorporated in Hong Kong on 11 March 1998. On 24 April 1998, RBMS HK allotted and issued 12 shares, representing 30% of the then issued share capital, at par to Mr. Tso, and the remaining 70% of the then issued share capital was owned by Independent Third Parties. Subsequent to a series of allotments and issuances of shares and share transfers by the shareholders of RBMS HK at the relevant time which took place between September 1998 to January 2001, on 12 January 2001, the issued share capital of RBMS HK became owned as to 60% by Ms. Tsui and 40% by Mr. Tso. Pursuant to declarations of trusts dated 8 June 2000, 25 October 2000 and 12 January 2001, the 60% interest in the issued share capital of RBMS HK was held by Ms. Tsui on behalf of Mr. Tso. The trust arrangements were entered into due to the requirement under the then effective predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. On 12 November 2015, Ms. Tsui ceased to hold the 60% interest in the issued share capital of RBMS HK on trust for Mr. Tso and transferred her shares in RBMS HK to Mr. Tso at nil consideration. Upon completion of such transfer, RBMS HK became wholly owned by Mr. Tso.

### REORGANISATION

In September 2015, we commenced the Reorganisation in preparation for the Share Offer.

The following chart sets forth our corporate and shareholding structure immediately before the Reorganisation:



*Notes:*

- (1) Pursuant to declarations of trusts dated 8 June 2000, 25 October 2000 and 12 January 2001, Ms. Tsui held 240 shares in RBMS HK, representing 60% of the entire issued share capital of RBMS HK, on trust for Mr. Tso. The trust arrangements were entered into due to the requirement under the then effective predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. The above trust arrangements were cancelled on 12 November 2015 and on the same day, Ms. Tsui transferred her shares in RBMS HK to Mr. Tso.
- (2) Pursuant to a declaration of trust dated 27 August 2009, Mr. Tam Chi Wai, an employee of our Group, held one share in Fortune Rich, representing the entire issued share capital of Fortune Rich, on trust for Mr. Tso. The trust arrangement was entered into to enable Mr. Tam Chi Wai to enter into lease agreements and manage administrative matters of Fortune Rich during Mr. Tso's absence. The above trust arrangement was cancelled on 17 December 2015 and on the same day, Mr. Tam Chi Wai transferred his share in Fortune Rich to Mr. Tso.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (3) The remaining 30% of the issued share capital of Petracer's China is held by Mr. Li Shu, an Independent Third Party save for his interest in Petracer's China. Mr. Li Shu was a distributor of the tile products of certain brands in the PRC before 2015. On 20 January 2014, we acquired the exclusive distribution rights to the tile products of such brands in Hong Kong and the PRC. Due to Mr. Li Shu's familiarity with the brand and clientele, we believe Mr. Li Shu's continuous involvement and providing him with a sense of ownership in Petracer's China will be beneficial to our Group. Mr. Li Shu is a director of Petracer's China and is primarily responsible for expanding our clientele for the tile products of such brands in the PRC.

### **Incorporation of RB Power**

RB Power was incorporated in the BVI on 9 September 2015 to act as a holding company for the interest of Mr. Tso in our Company and the authorised share capital of RB Power was 50,000 ordinary shares with a par value of US\$1.00 each. Upon incorporation, one share, representing the entire issued share capital of RB Power, was held by Mr. Tso.

### **Incorporation of our Company**

Our Company was incorporated in the Cayman Islands on 25 September 2015 to act as the holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each. Upon incorporation, one Share, representing the entire issued share capital of our Company, was held by RB Power.

### **Incorporation of RBMS BVI**

RBMS BVI was incorporated in the BVI on 5 October 2015 with the authority to issue a maximum of 50,000 ordinary shares with a par value of HK\$1.00 each. Upon incorporation, one share, representing the entire issued share capital of RBMS BVI, was allotted and issued to and held by our Company.

### **Acquisition of Hong Kong subsidiaries**

On 17 December 2015, RBMS BVI acquired 400 shares in RBMS HK, representing the entire issued share capital of RBMS HK, from Mr. Tso at a consideration of HK\$1.00 and the consideration was settled on the same day. Upon completion of such transfer, RBMS HK became a direct wholly owned subsidiary of RBMS BVI.

On 17 December 2015, RBMS BVI acquired one share in Fortune Rich, representing the entire issued share capital of Fortune Rich, from Mr. Tso at a consideration of HK\$1.00 and the consideration was settled on the same day. Upon completion of such transfer, Fortune Rich became a direct wholly owned subsidiary of RBMS BVI.

On 17 December 2015, RBMS BVI acquired 10,000 shares in Regent Building, representing the entire issued share capital of Regent Building, from Mr. Tso at a consideration of HK\$1.00 and the consideration was settled on the same day. Upon completion of such transfer, Regent Building became a direct wholly owned subsidiary of RBMS BVI.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

On 17 December 2015, RBMS BVI acquired 7,000 shares in Petracer's China, representing 70% of the entire issued share capital of Petracer's China, from Mr. Tso at a consideration of HK\$1.00 and the consideration was settled on the same day. Upon completion of such transfer, the remaining 3,000 issued shares of Petracer's China, representing 30% of the total number of issued shares of Petracer's China, remained held by Mr. Li Shu, an Independent Third Party save for his interest in Petracer's China, and Petracer's China became a direct non-wholly owned subsidiary of RBMS BVI.

### **Establishment of Family Trust**

The Family Trust was established on 18 December 2015 by Mr. Tso as the settlor, with TMF (Cayman) Ltd. acting as the trustee (the "**Trustee**").

On 8 March 2016, Mr. Tso transferred the entire equity interest in RB Power by way of gift to RB Management, a company incorporated in the BVI and wholly owned by the Trustee.

The Family Trust is a discretionary trust, the beneficiaries of which are Mr. Tso and his family members.

### **INCREASE OF AUTHORISED SHARE CAPITAL**

On 20 September 2018, our Company increased its authorised share capital to HK\$50,000,000 through the creation of 4,962,000,000 additional Shares.

### **CAPITALISATION ISSUE**

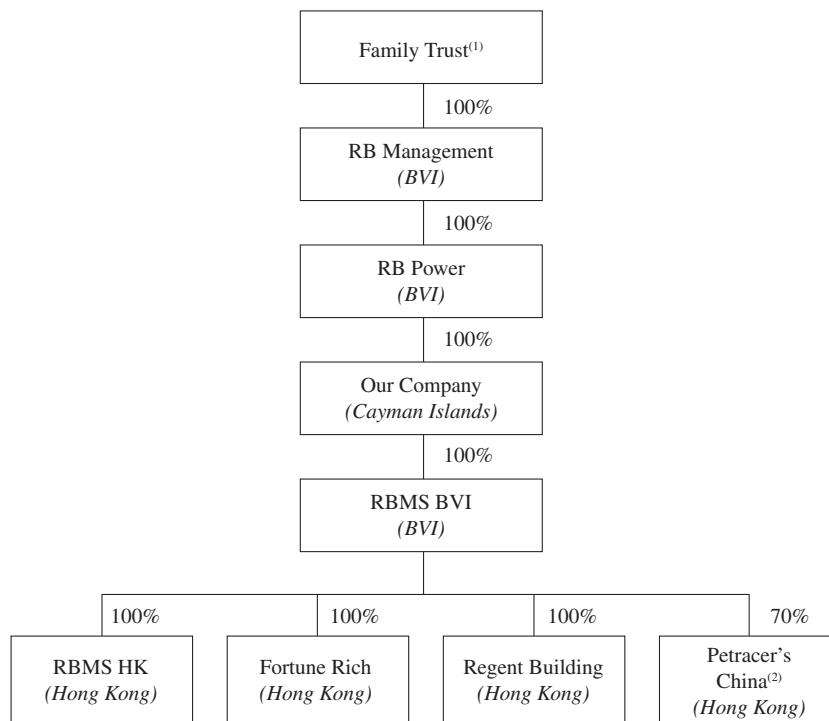
Conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors be authorised to capitalise the amount of HK\$14,999,999.99 from such account and applying such sum in paying up in full at par a total of 1,499,999,999 Shares for allotment and issue to its then sole shareholder, RB Power.



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately after the Reorganisation and the Capitalisation Issue, but before the completion of the Share Offer:

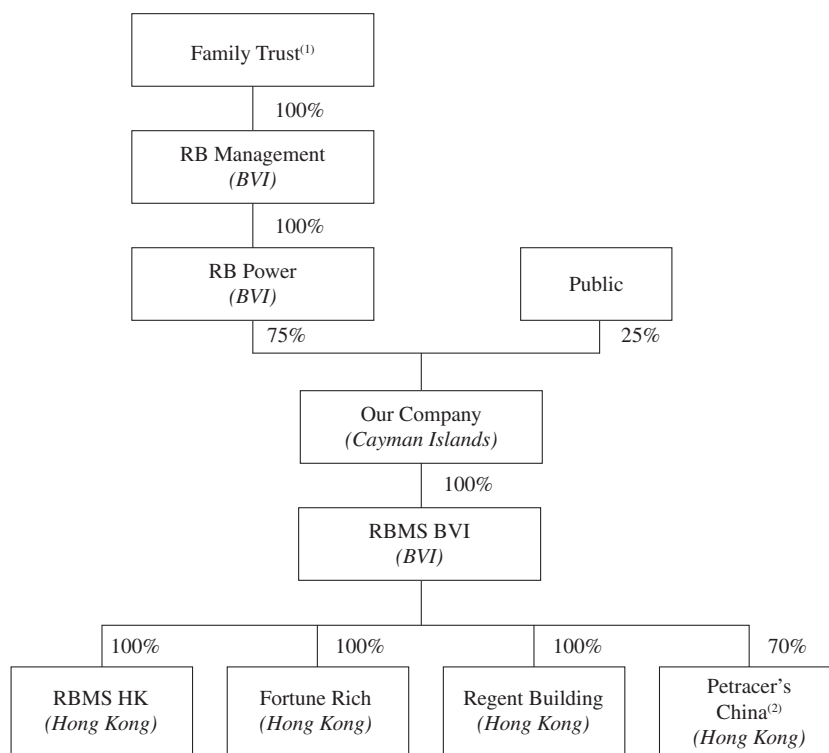


Notes:

- (1) RB Management is wholly owned by TMF (Cayman) Ltd., the trustee of the Family Trust.
- (2) The remaining 30% of the issued share capital of Petracer's China is held by Mr. Li Shu, an Independent Third Party save for his interest in Petracer's China.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately after the completion of the Reorganisation, the Capitalisation Issue and the Share Offer (taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



*Notes:*

- (1) RB Management is wholly owned by TMF (Cayman) Ltd., the trustee of the Family Trust.
- (2) The remaining 30% of the issued share capital of Petracer's China is held by Mr. Li Shu, an Independent Third Party save for his interest in Petracer's China.

## BUSINESS

### OVERVIEW

We are a retailer and supplier of overseas manufactured tiles<sup>(1)</sup> in Hong Kong, specialising in high-end<sup>(2)</sup> European imported porcelain, ceramic and mosaic tiles. According to Ipsos, we are the largest player in the overseas manufactured tile retailing industry in Hong Kong in 2017 in terms of revenue, with market share of approximately 27.2%. Apart from retail sales, we also supply tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau. Further, with a view to exploring the imported tile market in the PRC without putting strain on our capital and administrative resources, we started selling products since 2011 through our distributors in the PRC who were tile retailers or traders. To complement our wide variety of wall and floor tile products, we also sell bathroom fixtures (such as bath tubs, wash basins and other accessories) sourced from Italian and Spanish manufacturers. With an operating history of over 20 years in Hong Kong, we have developed and maintained strong and successful relationships with these European tile manufacturers and have been the exclusive distribution channel for some of these European tile manufacturers in Hong Kong, Macau and/or the PRC. As a testament of our success, we were awarded the Ceramica Distributor Award 2015 in September 2015 by Confindustria Ceramica which is a well-recognised association of Italian ceramic tile and refractory material manufacturers according to the information from Ipsos.

Founded in 1998, we initially engaged in the sourcing of building materials in Hong Kong. Since the opening of our first retail shop in Hong Kong in 2001, our business has been focusing on retail sales of overseas manufactured tile products and we have steadily expanded our retail network. As at the Latest Practicable Date, we operated 18 retail shops, all of which were strategically located at the prime retail locations in Hong Kong for home improvement, remodelling and furnishing materials. We operated the largest number of retail shops for overseas manufactured tiles and carried the largest number of overseas brands of tile products as of August 2018 in Hong Kong.

We achieved an overall growth in revenue during the Track Record Period. Our revenue increased from approximately HK\$173.8 million for the year ended 31 March 2015 to approximately HK\$190.8 million for the year ended 31 March 2018, representing a CAGR of approximately 3.2%.

*Notes:*

- (1) All tiles in the tile retailing industry in Hong Kong are imported in the absence of local production. According to Ipsos, overseas manufactured tiles refer to tiles imported from countries other than the PRC, such as Italy, Spain, Dubai and Southeast Asia.
- (2) According to Ipsos, tiles which are priced at HK\$80 or above per sq. ft. are considered luxury tiles, tiles priced at HK\$40 to below HK\$80 per sq. ft. are considered high-end tiles, and tiles priced at below HK\$40 per sq. ft. are considered mass-market in the tile industry.

## **OUR COMPETITIVE STRENGTHS**

We believe that the following competitive strengths have contributed to our success:

### **We were the largest player in the overseas manufactured tile retailing industry in 2017 in Hong Kong**

According to Ipsos, we were the largest player in the overseas manufactured tile retailing industry in 2017 in Hong Kong in terms of revenue, with a market share of approximately 27.2%. We specialise in the retail of high-end European manufactured porcelain, ceramic and mosaic tiles. Most of our porcelain, ceramic and mosaic tiles are imported from Italy and Spain. In September 2015, as a testament of our success, we were awarded the Ceramica Distributor Award 2015 by Confindustria Ceramica which is a well-recognised association of Italian ceramic tile and refractory material manufacturers according to the information from Ipsos. Our Directors are of the view that this award is an acknowledgement of our Company's achievement in sales of overseas manufactured ceramic tiles, particularly on the number of retail shops and the wide spectrum of product portfolio of our Company.

According to Ipsos, we operated the largest number of retail shops for overseas manufactured tiles and carried the largest number of overseas brands of tile products in Hong Kong as of August 2018. We believe that the scale of our operations and the variety of high-end European imported tile products that we offer are unparalleled in the tile industry in Hong Kong. We believe that as consumers in Hong Kong become more sophisticated, the demand for products with high quality, tasteful and aesthetic design or environmentally friendly has continually increased over time. We aspire to position ourselves as the major shopping platform for high-end European made wall and floor tiles in Hong Kong offering a wide variety of high quality products to our customers.

Having established a solid market presence in the industry, we believe we enjoy stronger bargaining power than most of our competitors in terms of product selection, pricing and credit term. As the largest overseas manufactured tile retailer in Hong Kong, we believe that we are well positioned to further strengthen our leading position by our brand positioning and the diversity of our product portfolio that continue to differentiate ourselves from our competitors.

### **We are a trendsetter in the overseas manufactured tile retailing industry with a portfolio of diverse brands of products. We also have a proven track record of successful brand and product management**

We strive to distinguish ourselves from our competitors by bringing in new products to the market on a regular basis. We have established long term relationships of more than ten years with a number of well-known tile manufacturers in Italy and Spain. Since the opening of our first retail shop in 2001 in Hong Kong, we have steadily expanded our network of tile suppliers. As at the Latest Practicable Date, this network included over 50 suppliers carrying a total of over 60 brands of tiles. Our brand portfolio covers a number of Italian and Spanish brands, including Emil, Provenza, Supergres and LEA. According to Ipsos, these are major and internationally recognised brands in the tile industry. We have also entered into exclusive distribution agreements with a number of tile manufacturers/brand owners such as Emil, Provenza and Supergres, which have granted us exclusive distribution rights of their tile products in Hong Kong, Macau and/or the PRC. These exclusive distribution rights enable us to provide

## BUSINESS

our customers a unique product portfolio and distinguished us from our competitors. Apart from the exclusive distribution rights, we generally place purchase orders with our tile suppliers from time to time.

We believe that our extensive network of and well-established business relationship with the tile manufacturers in Italy and Spain attribute to our extensive and exclusive product range which enables us to showcase and offer a wide range of latest and exclusive products and react rapidly to the changing market trends and consumer demands, rendering us a trendsetter in the industry. We believe that our comprehensive branded product portfolio allows us to meet different needs and specifications, providing our customers solutions for different purposes and functionality whether for residential or commercial use. We believe that the comprehensiveness of our product range is difficult to replicate and differentiates us from our competitors.

Through over 20 years of operational experience, we believe that we have accumulated both practical experience and a thorough understanding of consumer taste and behaviour regarding premium tiles products. Our management of each brand and wide offering of tile products have allowed us to capture a significant market share in Hong Kong and helped us to maximise our revenue while avoiding competition among our brands and product portfolio. We believe that, our experience in brand management also enables us to respond in a timely manner to the rapid changes in consumer preferences, such that we are able to source new brands and products to capture new opportunity. We believe that the effectiveness of our business model and our experience in brand and product selection, and portfolio management have been essential to our past success, and set a solid foundation for our future growth and profitability.

### **We have an extensive retail network at prime locations supported by an ample supply of inventory**

As at the Latest Practicable Date, we had a total of 18 retail shops, ten of which were located at Lockhart Road, Wanchai, seven of which were located at Portland Street, Mongkok and the remaining one was located in Yuen Long. According to Ipsos, we operated the largest number of retail shops for overseas manufactured tiles in Hong Kong as of August 2018. All of our retail shops are strategically located at the prime retail locations for home improvement and remodelling and furnishing materials in Hong Kong, thereby ensuring a steady flow of customers.

To enhance our market presence and to stand out in the prime locations for tiles shopping in Hong Kong, we strive to create a modern and unique image for all our retail shops. Each of our retail shops showcases different mix of tiles targeting different kinds of customers with different preferences and specifications. We believe our appeal to customers begins with our design and interior decoration of each of our retail shops, which we consider chic and modern. The interior layout of each of our retail shops is specifically arranged according to the product portfolios and styles we adopt for each shop. To increase the appeal of our products, we also display the products through mock-ups of furnished bathroom in most of our retail shops. Our extensive retail network is supported by our ample supply of inventory and we believe that the size of our inventory level is maintained at a level sufficient to provide a wide array of tile products and deliver products to our customers in a timely and efficient manner.

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### **We have an experienced, dedicated and visionary management team**

We were founded by our Chairman and executive Director, Mr. Tso, who realised the significant growth potential of the high-end ceramic tile market in Hong Kong. Mr. Tso has over 20 years of experience in and has an in-depth understanding of the tile industry in Hong Kong. Under his leadership, we have successfully developed a resourceful network of suppliers and adapted to the fast-changing consumer taste and the latest market trend, and were the largest player in the overseas manufactured tile retailing industry in Hong Kong in 2017 in terms of revenue.

We have a stable management team. Certain members of our management team possess more than ten years of experience in the tile industry. We believe that our management team and employees are our most valuable assets attributable to the success of our business operation and expansion. Our management team has demonstrated strong execution capabilities and successfully expanded our retail network to 18 retail shops as at the Latest Practicable Date since the opening of our first retail shop in 2001. We believe that the vision, industry knowledge and experience, management capability and dedication of our senior management team will continue to help us deliver sustainable growth in the future.

### **We have the SAP system to enhance our operational efficiency**

We implemented the SAP system in March 2012. The SAP system, which comprises, among other things, purchase management module, sales management module, inventory management module and delivery management module, is customised for our operating needs. Our point-of-sale system installed among all our retail shops is accessible by our office through the SAP system. The SAP system enables us to have access to the purchase information, sales information, inventory level in storage facilities, sales data at each retail shop, and other key financial and logistic data on a real time basis which helps us to monitor and manage our sales performance, inventory levels and movements and other operational information efficiently and effectively. We believe that the availability of such information further enables us to carry out analysis on latest consumers' preference and market trend, make necessary decisions and adjustments in a timely and efficient manner and to strengthen our accounting entry system. We believe that the SAP system enhances our overall operational efficiency and renders us a strong and scalable infrastructure for our business growth.

## **OUR BUSINESS STRATEGIES**

We aim to maintain and further strengthen our market position in the overseas manufactured tile retailing industry in Hong Kong and expand our distribution network in the PRC by adopting the following strategies:

### **Strengthen our market position in Hong Kong**

We plan to strengthen our market position in Hong Kong by actively promoting and expanding our operations going forward, which is commensurate with our ongoing business strategy of progressive expansion of our market share in Hong Kong through opening of new retail shops since the establishment of our Group. In particular, we opened four retail shops during the Track Record Period. Nevertheless, we consider the opening new retail shops at a faster pace than an average of only one new shop opened per year during the Track Record Period would allow us to expedite the increase in our retail market share and thereby further strengthening our leading market position under the competitive

## BUSINESS

business environment. As such, we currently plan to boost our market presence and increase our market share by opening an additional seven retail shops in Hong Kong in the three years ending 31 March 2021. The location of our retail shops is paramount to the success of our operations. We plan to open new retail shops at prime locations for home improvement, remodelling and decorative and building materials in Hong Kong, such as Lockhart Road in Wanchai and Portland Street in Mongkok. We are dedicated to bring in distinguished and novel product categories and concepts for each of our new retail shops in order to broaden our customers base and cater for different consumers' preferences. While we plan to continue to focus primarily on our retail sales of tiles and bathroom fixtures at our retail shops, we also plan to increase our sales to project customers, including property developers, interior design companies and construction contractors, on project basis for large-scale property development projects and residential and commercial properties renovation projects. In order to facilitate such expansion plan, we plan to expand our project sales team by recruiting experienced project sales personnel.

### **Expand our product mix and enhance the diversity of our product offerings**

To leverage on our extensive retail network and meet the different renovation and remodelling needs of our customers, we plan to further expand our range of tile products by introducing new brands and new tile products. We also plan to diversify our product offerings by selectively adding non-tile products, including wooden flooring and bathroom fixtures imported from Italy. We believe that such new product offerings are complementary to our core business of tile sales and will expand our source of revenue. We further believe that through our horizontal expansion of product offerings, we can provide customers with a more pleasant one-stop shopping experience. Besides, it is our market strategy that each of our retail shops showcases different mix and brands of tiles and bathroom fixtures, so that we would be able to capture customers with different preferences on product designs, qualities and specifications. As such, along with our business strategy of opening more new retail shops, we will also need to expand the variety of product and brand offerings accordingly, including the securing of more exclusive distribution rights of tiles and bathroom fixtures which facilitate the attraction of more potential end-user customers and project customers, given the Hong Kong government's housing strategy of increasing residential housing supply in the short to long run which provides a favourable market condition for us to capture the business growth opportunity. Although the sales of non-tile products only accounted for a small portion of our total revenue during the Track Record Period, given such products are, apart from tiles, also furnishing materials for home improvement and remodeling and in view of the basis of the aforesaid business growth opportunity, our Directors consider the expected increase in market demand would justify our expansion of product offerings for non-tile products.

During the Track Record Period and up to the Latest Practicable Date, we entered into fifteen exclusive distribution agreements with Italian and Spanish suppliers, twelve of which were subsisting as at the Latest Practicable Date comprising exclusive distribution rights for thirteen brands of tiles and two brands of bathroom fixtures. We plan to obtain exclusive distribution rights with more European manufacturers of tile and non-tile products which we consider to have promising potential in the Hong Kong market. Such exclusive distribution rights will also allow us to carry a large series of new products. We select exclusive distributorship suppliers based on a number of criteria including but not limited to product popularity, pricing, reliability of supply, responsiveness to our orders, competitiveness of the credit terms offered and the amount of minimum purchase commitment. Similar to the case of our exclusive distribution rights we obtained during the Track Record Period, it is a typical salient term of exclusive distribution agreements that annual sales target are stipulated by the suppliers. Therefore, our ability to meet more minimum purchase commitments by entering into more exclusive distribution

## BUSINESS

agreements considerably depends on our financial capability. We believe that the entering into of exclusive distribution agreements will allow us to enrich our product portfolio by securing exclusive distribution rights for new products under such brands and to maintain our competitiveness by continuing to carry the largest number of brands of overseas manufactured tiles in the industry in Hong Kong.

As at the Latest Practicable Date, we have identified seven Italian brands (including two for tile products, three for bathroom fixtures and two for wooden flooring products) for potential exclusive distribution rights. Among the two targeted brands for tile products, one is in the luxury category which are priced at around HK\$200 per sq. ft. while the other one is considered to be high-end tile with pricing at around HK\$75 per sq. ft. We believe that the expansion of our product offerings to luxury segment allows us to participate in luxury tile market and capture new clientele. Further, the said selected Italian brands of bathroom fixtures and wooden flooring products are considered to be in high-end category, and we believe that the entering into of exclusive distribution agreements for such brands will represent significant horizontal expansion of our product offerings. As at the Latest Practicable Date, no negotiation had commenced with the relevant manufacturers nor had we entered into any letter of intent or agreement for such exclusive distribution rights with those targeted brands; and we had business relationship with only two of the seven Italian brands during the Track Record Period. As such, the obtaining of the exclusive distribution rights of such brands are not guaranteed. Nevertheless, as advised by our executive Directors, there are plenty of choices of Italian brands of tile, bathroom fixtures and wooden flooring products which have not been imported into Hong Kong; and in the event that the exclusive distributorship of the aforesaid seven brands which we have identified are not available when we start to negotiate with the relevant suppliers or the terms of the exclusive distributorship are not acceptable to us, we can easily secure inputs of other brands from alternative suppliers. Please refer to the section headed “Future Plans and Use of Proceeds” for further details of the implementation plan.

### **Pursue strategic acquisition opportunities**

In addition to organic growth, we plan to explore and pursue acquisition opportunities to strengthen our market position and enhance our competitiveness in the tile retailing industry in Hong Kong. According to Ipsos, the approximate number of retail shops in Hong Kong which mainly sold Italian or Spanish tiles increased from 68 in 2015 to 75 in 2016 and further increased to 79 in 2017. Hence, the competition in retail market of overseas manufactured tiles was intensified. Besides, there is also the possibility of consolidation among our competitors or that alliances may develop among our competitors whereby such competitors may acquire significant market share rapidly and consequently affect our leading market position. As our retail shops are mainly located in Wanchai, Hong Kong Island and Mongkok, Kowloon, being ten shops and seven shops respectively as at the Latest Practicable Date, while the number of retail shops operated by other top market players ranged from five to nine (as disclosed in the subsection headed “Industry overview — Competitive analysis of the tile retailing industry in Hong Kong), any possible increase in market share of our competitors through acquisition or organic growth may affect our district-wide competitiveness. Therefore, we consider the alternative of dynamic growth through acquisitions would not only allow us to further consolidate the market share and hence expedite the further strengthening our market position and thereby resulting in the mitigation of the challenge of the business environment we face, but also allow us to secure the obtaining of favourable retail shop locations which are occupied by the market players. Through strategic acquisitions, our market share in terms of number of retail shops can be further increased, which could lead to a decrease in the current level of competition. Although the second conduct rule of the



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Competition Ordinance does not prevent a company from gaining market power or increasing its profits by its power provided that the company does not engage in abusive conduct, if our expansion plan of pursuing strategic acquisitions would result in our market share increasing to such a magnitude that we are susceptible to being challenged of having abusive conduct, we may face difficulties and may need to incur legal costs in ensuring our compliance with the second conduct rule. Please refer to the paragraphs headed “Risk factors — Risks relating to conducting business in Hong Kong — We may face difficulties in complying with the Competition Ordinance” and “Business — Legal and regulatory matters — (2) Second conduct rule” for further details.

Although we do not have previous experience of acquisition, our Directors consider the acquisition of existing retail market players would be compatible to our retail business, as such acquisitions mainly represent the continuous running of existing retail shops which sell overseas manufactured tile and/or bathroom fixtures and the maintenance of relationships with existing Italian and Spanish suppliers, which we are confident to manage given our experience of managing nearly 20 shops over recent years and our experience of establishing long term business relationships with well-known overseas manufactures as well as securing new suppliers over the years. Our potential acquisition targets will be overseas manufactured tile or bathroom fixtures retailers in Hong Kong which can contribute to, among other things, (i) an increase in our customer base; (ii) the addition to our tile supply channels; and (iii) the acquisition of staff with relevant skill sets and connections in the overseas manufactured tile retailing industry, such as some of the top competitors as listed out in the subsection headed “Industry overview — Competitive analysis of the tile retailing industry in Hong Kong” in this prospectus, as well as some smaller market players. In any event, our Group will only consider acquiring overseas manufactured tile or bathroom fixtures retailers in Hong Kong which can create synergies with the our existing business. For example, (i) we can refer our retail customers to visit the shops of the potential acquisition targets if we do not have the brands preferred by them, and vice versa; (ii) if the potential acquisition target is more mature in the bathroom fixtures segment which we are still developing, it can provide valuable experience to us so that we can speed up our development of this segment; (iii) we can centralize the storage of products in our warehouse so that the overall warehousing cost and logistics expenses can be saved; and (iv) our SAP system can integrate the sales information and inventory levels of our retail shops and those of potential acquisition targets, so that certain administrative costs and staff costs can be saved through integrated management. We will assess the potential acquisition targets by evaluating their value to our business. We will also ensure that the retail shops operated by our acquisition targets would carry different mixes of product offerings and target different groups of customers of different preferences and specifications in order to prevent or minimize competition and cannibalisation with our existing retail shops.

When we evaluate an acquisition target, we will consider factors including (i) the consideration and the related costs of acquisition, being in aggregate within the range of approximately HK\$20 million to HK\$40 million for each acquisition; (ii) the financial performance of the potential acquisition target, for example, we will target on potential retailers with monthly revenue per shop comparable to ours, taking into account the floor size of the retail shops, as well as their product margins and profit margins; (iii) the reputation of the potential acquisition target in the overseas manufactured tile retailing industry; (iv) the retail network and coverage of the potential acquisition target, in particular, we will target on potential retailers with two to eight retail shops; (v) the potential acquisition target’s existing customer base; (vi) the potential acquisition target’s supplier portfolio, in particular, we will target on potential retailers which are authorised dealers or exclusive distributors of at least a few brands of high-end or luxury bathroom fixtures and/or tile products; (vii) the expertise and experience of the staff of the

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potential acquisition target; and (viii) the brands and quality of the bathroom fixtures and tile inventory (i.e. high-end and/or luxury products) of the potential acquisition target. Our Directors believe that successful acquisitions will bring synergies to our Group and enhance our Shareholders' value.

In particular, with a view to increase the breadth and depth of our product portfolio, we are desirous of acquiring targets which are specialised in imported bathroom products and/or tiles of Italian and Spanish brands that could enrich our range of products and brands. We believe that such acquisitions will not only create synergies through enhancement of our product portfolio but will also expand our product offerings horizontally to cover high-end European bathroom products. As at the Latest Practicable Date and up to this date of this prospectus, we have not identified any specific acquisition targets, nor have we commenced any negotiation with any party or entered into any letter of intent or agreement for any potential acquisition. Nonetheless, we have commenced identification and evaluation of potential targets and have been conducting preliminary market research on their product portfolios. Please refer to the section headed "Future Plans and Use of Proceeds" for further details of the acquisition plan.

### **Enhance our collaboration with existing distributors and seek opportunities to expand our distribution network in the PRC**

In light of the continuous growth of the economy and population in the PRC, we plan to expand our distribution network by looking for suitable distributors in the PRC. According to Ipsos, the import value of Italian tiles in the PRC increased from approximately US\$39.1 million in 2012 to approximately US\$56.7 million in 2016, representing a CAGR of approximately 9.7%, whilst the import value of Spanish tiles in the PRC increased from approximately US\$16.5 million in 2012 to approximately US\$24.1 million in 2016, representing a CAGR of approximately 9.9%. During the Track Record Period, we consider our product distribution through our PRC distributors efficient in enhancing sales to PRC customers and shortening the lead time for introducing our products to the PRC market. As at the Latest Practicable Date, we had four third-party distributors in aggregate which operated their businesses in Shanghai, Shenzhen, Guangzhou, Beijing and Chengdu purchasing tiles and bathroom fixtures from us. We believe that further enhancement and progressive expansion of our PRC distribution network could enable us to capitalise on the increasing spending power and consumer demand in the PRC for high-end European tiles and bathroom fixtures and is crucial to increasing our market share and coverage in the PRC.

To accomplish this, we intend to:

- (a) differentiate ourselves from domestic tile manufacturers and suppliers in the PRC by targeting growing middle class population; and
- (b) deepen our market penetration in regions where we have established distribution network by strengthening our collaboration with existing distributors and/or engaging new distributors with more established channels.

We have designated sales team members (including Mr. Tso, our chairman and chief executive officer) to work closely with our distributors in the PRC to ensure smooth collaboration with them. We will continue to evaluate potential demand of our products in the targeted regions and seek appropriate distribution channels in those regions. We believe that selling our overseas manufactured tile products to PRC distributors for resale in local markets is an efficient and cost effective means for us to deepen our

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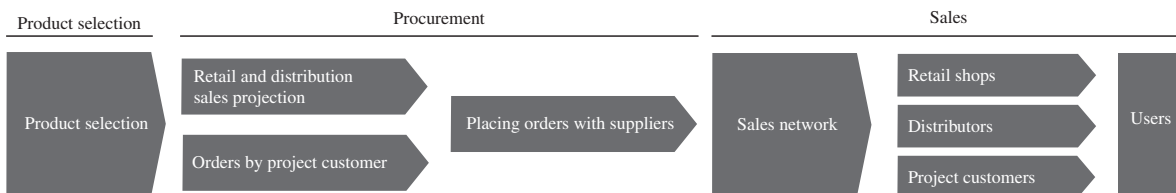
market penetration in the PRC market. We estimate that such expansion cost is insignificant as the operating costs will be borne by the PRC distributors while we will primarily incur legal costs for preparation of the relevant distributorship agreements.

We believe that by building upon our strong base of retail operations in Hong Kong, we will enhance our collaboration with our existing distributors while also seek opportunities to expand our distribution network in the PRC market in order to respond timely to changes in the preferences and the needs of customers in the PRC. As at the Latest Practicable Date, no specific additional distribution channel had been identified and no formal negotiation had been engaged with any other distributor in the PRC.

### OUR BUSINESS MODEL

We are a retailer and supplier of overseas manufactured tiles in Hong Kong, specialising in high-end European imported porcelain, ceramic and mosaic tiles. Apart from retail sale, we also supply overseas manufactured tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sell overseas manufactured tiles and bathroom fixtures to distributors who are tile and/or bathroom fixtures retailers or traders in the PRC. We sell a wide variety of high-end wall and floor tile products imported from Italy or Spain. We do not engage in the manufacturing process of our products. Our tile products consist of porcelain, ceramic and mosaic tiles. To complement our wide range of tile products which can be used for living rooms, kitchens and bathrooms, we also sell a limited range of bathroom fixtures imported from Italy which primarily consist of bath tubs, wash basins and toilet bowls.

Our business model can be illustrated with the following systematic diagram:



#### Product selection

The selection and assemblage of products are crucial competitive factors in the retail industry. We would explore the profile of new products in international trade fairs to identify brands we consider to have promising potential in the Hong Kong market based on our industry experience acquired through our 20 years of operation. As we target the niche high-end tile and bathroom fixtures market in Hong Kong, when selecting a new product, we mainly consider (i) the reputation of the manufacturers; (ii) the design and quality of the products; (iii) the certification obtained by the manufacturers; (iv) the matching of the new product with our strategic direction; (v) the market trend; and (vi) the supply lead time involved in the sourcing of the products.

#### Procurement

Our sales team will estimate the quantity of products to order from our suppliers, based on the sales projections (which are normally determined according to historical sales figures as well as projected market trends) for our management's approval prior to placing any purchase order.

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Procurement decisions are generally based on inventory levels and movements, expected sales and lead times of the products. Our SAP system provides us with the sales information of the tiles and bathroom fixtures, the inventory levels and the sales data at each retail shop. We would also consult our suppliers from time to time about their stock availability and the delivery time of the tiles and bathroom fixtures.

For project sales, some of our project customers may place order with us for bulk purchases of certain products for large-scale property development projects. In such case, we would make back-to-back orders with our suppliers.

### Sales

Our operations are primarily related to our retail business in Hong Kong. We are not engaged in the manufacturing process of any tiles or bathroom fixtures we offer to our customers. We mainly focus on growing our business by expanding our retail network, expanding our product mix and diversifying our product offerings. Leveraging on our established retail operations in Hong Kong and our strong relationships with suppliers, we have also diversified our business model to the supply of tile products to project customers on project basis and sales of tiles and bathroom fixtures to distributors in the PRC.

### OUR PRODUCTS

We sell tiles and bathroom fixtures. Sales of tile products makes up the greatest portion of our business revenue. The following table sets forth our revenue by product categories and their respective percentage of our total revenue for the years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tile products								
— Porcelain tiles	159,947	92.0	182,666	90.4	165,763	90.4	173,997	91.2
— Ceramic tiles	5,327	3.1	7,813	3.9	10,706	5.8	5,661	3.0
— Mosaic tiles	<u>5,883</u>	<u>3.4</u>	<u>5,474</u>	<u>2.7</u>	<u>4,176</u>	<u>2.3</u>	<u>5,275</u>	<u>2.7</u>
Subtotal for tile products	171,157	98.5	195,953	97.0	180,645	98.5	184,933	96.9
Bathroom fixtures and others <sup>(1)</sup>	<u>2,648</u>	<u>1.5</u>	<u>6,159</u>	<u>3.0</u>	<u>2,799</u>	<u>1.5</u>	<u>5,906</u>	<u>3.1</u>
Total	<u><u>173,805</u></u>	<u><u>100.0</u></u>	<u><u>202,112</u></u>	<u><u>100.0</u></u>	<u><u>183,444</u></u>	<u><u>100.0</u></u>	<u><u>190,839</u></u>	<u><u>100.0</u></u>

Note:

(1) Others primarily include cementitious materials for the installation of tiles.

### Tile products

Tile products are widely used in residential and commercial premises for wall, floor and other surface finishes. Most of our tile products are sourced from Italian or Spanish manufacturers. According to Ipsos, Italy and Spain are the two dominant players in the mid to high-end tiles supply chain, and

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tiles from Italy and Spain are renowned for their trendy designs, high quality and durability. As at the Latest Practicable Date, our brand portfolio of tile products covered over 60 European brands, including Emil, Provenza, Supergres and LEA.

Our tile products consist of porcelain tiles, ceramic tiles and mosaic tiles.

- (i) **Porcelain tiles** — Porcelain tiles are formed with minerals, kaolin, feldspars and clay, which are then mechanically pressed and fired in kilns at high temperature above 1,250°C. Porcelain tiles have a vitrified structure, low porosity and highly impermeable to acids, dirt and frost. Porcelain tiles are ideal for installation in residential and public settings, even on intense foot and heavy traffic flooring.
- (ii) **Ceramic tiles** — Ceramic tiles are a predominantly clay based material and the clay is fired in a kiln at a temperature ranging between 1,000°C–1,250°C. Compared to porcelain tiles, ceramic tiles do not need to be fired at high temperature, and is not as durable or moisture resistant as porcelain. Ceramic tiles are suitable to be used in areas of light to medium traffic areas but not for exterior use.
- (iii) **Mosaic tiles** — Mosaic tiles are a classification of tiles, usually porcelain, ceramic or glass, that are of the size 2 inch (5 cm) or smaller, which are generally used to create patterns and for decorative purpose.

Our selection of wall and floor tile products of Italian and Spanish brands come in a wide variety of designs, textures, colors, patterns and sizes. Some of the tile products we carry are designed to mimic natural materials such as marble, wood and stone in terms of color and pattern, and sometimes even texture, with more affordable prices than most of those natural materials and appealing physical and chemical features unique to porcelain. Some of such tile products are in pure colors and some have graphic patterns.

### **Bathroom fixtures**

Our bathroom fixtures, which are sourced from selected Italian manufacturers, consist of ceramic bathroom fixtures (such as bath tubs, wash basins and toilet bowls) and non-ceramic bathroom fixtures (such as faucets, shower heads, mirrors and racks and other accessories). As at the Latest Practicable Date, our brand portfolio of bathroom fixtures only covered a limited number of European brands as we are still developing this business segment.

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### SALES CHANNELS

We primarily sell tiles and bathroom fixtures to retail customers at our retail shops located in Hong Kong. Apart from retail sales, we also supply tile products on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sell tiles and bathroom fixtures to distributors located in the PRC.

The following table shows a breakdown of our revenue by sales channels for the years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Retail sales	<u>152,388</u>	<u>87.7</u>	<u>147,610</u>	<u>73.0</u>	<u>145,607</u>	<u>79.4</u>	<u>144,361</u>	<u>75.6</u>
Non-retail sales								
— Project sales	13,280	7.6	17,268	8.5	11,730	6.4	18,857	9.9
— Distribution sales	5,119	2.9	30,834	15.3	18,311	10.0	23,745	12.5
— Others <sup>(1)</sup>	<u>3,018</u>	<u>1.8</u>	<u>6,400</u>	<u>3.2</u>	<u>7,796</u>	<u>4.2</u>	<u>3,876</u>	<u>2.0</u>
Subtotal for non-retail sales	<u>21,417</u>	<u>12.3</u>	<u>54,502</u>	<u>27.0</u>	<u>37,837</u>	<u>20.6</u>	<u>46,478</u>	<u>24.4</u>
Total	<u><u>173,805</u></u>	<u><u>100.0</u></u>	<u><u>202,112</u></u>	<u><u>100.0</u></u>	<u><u>183,444</u></u>	<u><u>100.0</u></u>	<u><u>190,839</u></u>	<u><u>100.0</u></u>

*Note:*

(1) Others primarily refer to direct sourcing.

### Retail sales

Retail sales refers to the sales completed at our retail shops in Hong Kong. Since the opening of our first retail shop in 2001, we have been steadily increasing the number of our retail shops in Hong Kong. As at the Latest Practicable Date, we had a total of 18 retail shops under different trade names, which are all strategically located at the prime retail locations for home improvement and remodelling and finishing materials in Hong Kong.

Retail sales are invoiced and settled in Hong Kong dollars. We do not enter into sales agreements with our retail customers. Our retail customers are generally required to pay an upfront deposit in the range of 30% to 50% of the sales invoice value for sales order, and settle the remaining balance no later than upon delivery of the products. We do not grant any credit period to our retail customers. Usual terms and conditions of retail sales including payment terms are set out as notes to the sales invoices.

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### *Our retail network*

Set out below are the particulars of the location, year of opening, approximate gross floor area and expiry of current contracted lease term of each of our retail shops during the Track Record Period and up to the Latest Practicable Date:

Trade name	Shop location	Year of opening	Approximate gross floor area (sq.ft.)	Expiry of current contracted lease term
<i>Lockhart Road, Wanchai, Hong Kong Island</i>				
1. RBMS	G/F, 284 Lockhart Road	2001	587	9 February 2019
2. Fei Concept	Shop 2, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road	2002	889	31 October 2018
3. LS3	Shop 5, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road	2004	1,033	30 November 2018
4. Glamour	Shop C, G/F, Hang Tat Mansion, 161, 163 and 165 Lockhart Road	2006	760	31 January 2019
5. Luxe	G/F, 282 Lockhart Road	2007	1,172	28 February 2019
6. La Maison	Shop 8, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road	2010	715	30 November 2018
7. My Habit	Shop A, G/F, Kam Koon Building, 308, 310 and 312 Lockhart Road	2013	824	30 November 2018
8. Muse	Shop 7, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road	2013	713	31 May 2019
9. Home Savoy	Shop B, G/F, 151 Lockhart Road	2014	962	6 August 2020
10. Acqua	Shop 3A, G/F, Siu On Centre, 188 Lockhart Road	2018	376	31 May 2021
<i>Portland Street, Mongkok, Kowloon</i>				
11. Tile Concept	Shop B, G/F, 283–285 Portland Street	2001	404	15 February 2019
12. Futura	G/F, 300 Portland Street	2004	642	30 November 2018

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Trade name	Shop location	Year of opening	Approximate gross floor area (sq.ft.)	Expiry of current contracted lease term
13. R&B	G/F, 286 Portland Street	2007	702	30 November 2018
14. Casa 88	G/F, 338 Portland Street	2008	800	2 January 2019
15. My Shop	G/F, Fook Cheong Building, 314 Portland Street	2013	960	17 May 2020
16. Dolce Vita	Shop B, G/F, 280 Portland Street	2014	1,033	30 November 2018
17. Uptown	G/F, 290 Portland Street	2015	581	31 August 2021
<i>Yuen Long, New Territories</i>				
18. RB Heritage	Shop 18, G/F, Kin Fai Building, 69 Fung Cheung Road, Yuen Long	2012	533	(expired on 14 March 2018 and was not renewed)
19. Mira	Shop 5, G/F, Hing Lin Building, 30-36 Hop Yick Road, Yuen Long	2014	1,155	1 January 2020

With respect to our retail network, our retail shops located on Lockhart Road, Wanchai and Portland Street, Mongkok are strategically clustered and sited within close vicinity of each other. Apart from our retail shops, there are a number of other retail shops for tiles and bathroom fixtures on Lockhart Road and Portland Street operated by our competitors. Our Directors consider that the concentration of these retail shops on Lockhart Road and Portland Street generates industry and business clustering of tiles and bathroom fixtures, which in turn promotes customer traffic and sales capacity for the areas and enables us to benefit from such positive effect.



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The table below sets forth the changes in the number of our retail shops for the financial years/period indicated:

Location of retail shops	As at the beginning of Track Record Period	Additions for the year ended 31 March 2015	Additions/ (closure) for the year ended 31 March 2016	Additions for the year ended 31 March 2017	Closure for the year ended 31 March 2018	Additions after 31 March 2018	As at the Latest Practicable Date
Hong Kong Island	8	1	(1)	1	—	1	10
Kowloon	5	1	1	—	—	—	7
New Territories	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>1</u>
Total	<u>15</u>	<u>2</u>	<u>—</u>	<u>1</u>	<u>(1)</u>	<u>1</u>	<u>18</u>

During the Track Record Period, we opened two new retail shops in Wanchai and two new retail shops in Mongkok. The set up costs of each of these new retail shops ranged from approximately HK\$1.0 million to approximately HK\$2.0 million.

The table below sets forth the initial set-up cost (including rental deposits), payback period, profit and loss breakeven period, and cash breakeven period of each retail shop opened during the Track Record Period:

Shop	Year of opening	Initial set-up cost (HK\$'000)	Payback period <sup>(1)(4)</sup>	Profit and loss breakeven period <sup>(2)(4)</sup>	Cash breakeven period <sup>(3)(4)</sup>
Home Savoy	2014	966	7 months	3 months	3 months
Dolce Vita	2014	1,462	10 months	2 months	2 months
Uptown <sup>(5)</sup>	2015	1,884	25 months	9 months	9 months
Glamour <sup>(6)</sup>	2016	1,994	N/A	4 months	4 months

Notes:

- (1) Payback period is regarded as the period needed for the initial set-up costs for a retail shop to be fully recovered by its accumulated operating profit before interest, taxation, depreciation and allowance (“EBITDA”) since the commencement of business of the shop.
- (2) Profit and loss breakeven period is regarded as the period needed for a retail shop to record a positive monthly profit before taxation for the first time upon the commencement of business of the shop.
- (3) Cash breakeven period is regarded as the period needed for a retail shop to record a positive monthly EBITDA for the first time upon the commencement of business of the shop.
- (4) The payback period, profit and loss breakeven period and cash breakeven period are prepared based on the financial information of each of the above shops generated from our accounting records.

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- (5) Uptown in Mongkok commenced business in October 2015. The shop required approximately 25 months to recover its initial set-up cost given its relatively higher initial costs. As advised by our executive Directors, the shop was previously occupied as a restaurant and we had to spend more restructuring and renovation expenses upfront.
- (6) Glamour was relocated from another location in Wanchai and commenced business in April 2016. As at the Latest Practicable Date, Glamour has not yet recovered its initial set-up cost given its relatively higher initial cost due to the increase of renovation costs.

### *Retail network expansion plan*

The successful implementation of our expansion plan depends on a series of factors, including, among others, capacities and potential growth of local markets, preferences and purchasing power of targeted customers and their demands for our products, availability of funds and our ability to secure prime locations for retail shops. We plan to expand our market presence and market share in Hong Kong by opening an additional seven retail shops at the prime locations for home improvement, remodelling and furnishing materials in Hong Kong, namely Lockhart Road in Wanchai and Portland Street in Mongkok over the three years ending 31 March 2021. We will continuously review the sales and operation performance of each retail shop and from time to time adjust the actual number, location and timing of new retail shops to be opened. The table below sets forth the number of retail shops which we plan to open by geographical regions for the financial years indicated:

<b>Location of retail shops</b>	<b>For the year ending 31 March</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Hong Kong Island	1	1	1
Kowloon	1	1	2
Total	2	2	3

According to Ipsos, the estimated revenue of overseas manufactured tile retailing industry increased from approximately HK\$344.8 million in 2012 to approximately HK\$523.6 million in 2017, representing a CAGR of approximately 8.7%, and is expected to remain stable from approximately HK\$536.1 million in 2018 to approximately HK\$534.0 million in 2021, at a CAGR of approximately -0.1%. However, our average monthly revenue per retail shop amounted to approximately HK\$794,000, HK\$720,000, HK\$674,000 and HK\$672,000 for the four years ended 31 March 2018 respectively. Our Directors consider the decline in the monthly revenue per retail shop during the Track Record Period was mainly due to the decrease in second hand property transaction volume from 2014 to 2016, which attributed to the decrease in demand from our retail customers; as well as the increased competition of retail market of overseas manufactured tiles, where, according to Ipsos, the approximate number of retail shops in Hong Kong which mainly sold Italian or Spanish tiles increased from 68 in 2015 to 75 in 2016 and further increased to 79 in 2017 and 78 in August 2018. Despite such decline in our monthly revenue per shop, our total retail sales were approximately HK\$152.4 million, HK\$147.6 million, HK\$145.6 million and HK\$144.4 million for the four years ended 31 March 2018 respectively, representing a negative CAGR of only approximately 1.8%. This was mainly due to the increase in the number of our retail shops over the years, i.e. an average of approximately 16.0, 17.1, 18.0 and 17.9 retail shops for the four years ended 31 March 2018 respectively, which contributed a mitigation effect of the decrease in demand from our retail customers during such period.

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Nevertheless, according to Ipsos, (i) since late 2016, the property market witnessed a recovery of transaction volume, and the upward trend remains in 2017; and (ii) it is expected that the transaction volume on property will remain on the moderate upward trend in the short-to-medium term, for instance, the transaction volume of residential property (both primary and secondary) in 2017 increased by approximately 12.6% compared to 2016, indicating that the property market in Hong Kong may start to go up again after digesting all the negative effects from various government tax policies and negative expectation on the property market.

As such, our Directors consider the growing property market will prompt the growth of the tile industry and provide a favourable market environment for our retail network expansion plan. Please refer to the sub-section headed “Industry outlook and our sustainability” in this section for further details of the recent market development.

In order to prevent competition and cannibalisation among our retail shops, before opening any new retail shops, we will carry out discussion with our sales team to ascertain the market trends and the latest market preference, and we will generally look for locations near our competitors to avoid over-concentration of our shops within close proximity. Unlike our existing retail shops that principally carry tile products, we intend to carry more bathroom fixtures as well as wooden flooring products in our new retail shops in order to capture a wider group of customers. As a general rule in assessing potential new retail shops, we consider the potential effects of internal competition and cannibalisation. We would only proceed to open a new retail shop if we determine that the potential effect of the new retail shops on the customer traffic to our nearby existing retail shops will not adversely affect our overall operations and performance. We also strive to ensure that each of our retail shops carries a different mix of product offerings and targets different groups of customers of different preferences and specifications to prevent competition and cannibalisation among our retail shops.

Our expected average cost of establishing a new retail shop is approximately HK\$1.9 million, which mainly includes costs for interior decoration and renovation and the payment of rental deposit amounting to three months’ rental payment. We estimate the total costs to be incurred for establishing new retail shops to be approximately HK\$3.8 million, HK\$3.8 million and HK\$5.7 million for each of the three years ending 31 March 2021, respectively.

We will allocate approximately 25.6% of the net proceeds to be received by us from the Share Offer to finance our expansion in the next three financial years. We will also apply internal funds generated from operation and bank borrowings to fund the expansion plan when necessary.

Our Directors estimate that the payback period of a new retail shop to be approximately 14 months, the profit and loss breakeven period to be approximately two to four months and the expected cash breakeven period to be approximately two to four months, upon shop opening. The above estimates are based on the estimation of (i) the initial set up costs (which are assessed by reference to the historical renovation costs incurred and rental deposits paid for our existing retail shops opened in recent years, and the inflation rates in recent years); (ii) the revenue (which is assessed by reference to the historical level of the revenue of our existing retail shops with size, location and volume of pedestrian traffic flow similar to the location of the new retail shop); and (iii) the operating costs (which was assessed by reference to the historical costs of products, rental expenses and size of our existing retail shops with size, location and volume of pedestrian traffic flow similar to the location of the new retail shop), which are to be incurred or obtained by the new retail shop.

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### *Retail shop management and operation*

In general, we have an average of two sales staff in each retail shop. Each retail shop is headed by a shop supervisor who is responsible for overseeing the sales performances, sales target and daily operations of the shop. Our shop supervisor and sales staff are responsible for handling sales transactions, customer service and arrangement of product delivery. We have operational procedures covering customer service, pricing policies, inventory levels, security and cash handling for our retail shops to follow. Our shop supervisors oversee compliance with these procedures.

### **Distribution sales**

We continue to explore the PRC market by selling overseas manufactured tile products to our distributors in the PRC. We believe that this enables us to expand our business quickly without incurring additional management costs, including but not limited to administrative, selling, and marketing expenses. Moreover, it generally takes more time to assess market opportunities and develop our own local sales and marketing teams in new regions. We believe that the use of distributors is generally in line with the industry practice of the imported tile market in the PRC.

Our distributors are either PRC retailers or traders of tiles and bathroom fixtures with their own local sales network. To the best knowledge of our Directors, save for a distributor in Shenzhen (i.e. Distributor B as disclosed below) who sells our tiles and bathroom fixtures on a project basis and a distributor in Beijing (i.e. Distributor E as disclosed below) and a previous distributor in Shanghai (i.e. Distributor F as disclosed below) who sell/sold our products on a wholesale basis, all of our current and previous distributors in the PRC operate/operated retail shops and sell/sold our products to their retail customers. We sell tiles and bathroom fixtures to our distributors (who are considered as our end customers) and they resell the products in their own retail shops or through their local sales network in the PRC. We do not have control over the pricing policy of our distributors. Save for the distributors in Shenzhen, Beijing and Shanghai (i.e. Distributors B, E and F) who may have a farther geographical reach and impact, due to the nature of their respective operation, our Directors believe that each of our distributors' retail distribution network is mainly limited to its local cities. As at the Latest Practicable Date, there were two retail shops in Shanghai and one retail shop in Chengdu operated by one of our distributors (i.e. Distributors A as disclosed below). As part of our marketing strategies, we allowed certain of our previous PRC distributors to operate their retail shops using our brand name/trademark at no cost.

On the other hand, we consider the possibility of cannibalisation among our PRC distributors to be remote as we would strategically select them to be located at different cities of the PRC if possible, and that the PRC market is too huge to consider the effect of cannibalisation. In respect of certain PRC distributors who operated in close proximity in the same city in the PRC, we would ensure to avoid material cannibalisation among themselves. For instance, in respect of our two PRC distributors who operated their retail shops in close proximity in Shanghai during the Track Record Period, one of them mainly displayed tile products (i.e. Distributor C) while the other mainly displayed bathroom fixtures (i.e. Distributor A) at their respective retail shops.

We recognise our sales to distributors when our products have been delivered to the location(s) designated by our distributors and their unsold goods cannot be returned to us. Distribution sales are principally settled by bank transfer and/or cash deposit.

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Sales to PRC distributors generated approximately HK\$5.1 million, HK\$30.8 million, HK\$18.3 million and HK\$23.7 million, accounting for approximately 2.9%, 15.3%, 9.9% and 12.5% of our total revenue for the four years ended 31 March 2018, respectively.

We select our distributors based on a number of criteria, including but not limited to distributors' experience in selling high-end European tiles and bathroom fixtures, capabilities in customer management, distributors' financial condition and resource deployment for target markets, their creditworthiness and possession of relevant licences.

The following table sets forth the changes in the number of our distributors in the PRC who have/had valid distributorship arrangements or agreements with us as at the respective year-ends and the Latest Practicable Date:

	For the year ended 31 March				After 31 March 2018 and up to the Latest Practicable Date
	2015	2016	2017	2018	
Total at the beginning of the year/period	3	6	6	6	3
Addition	3	—	1	—	1
Termination <sup>(1)</sup>	—	—	(1)	(3)	—
Total at the end of the year/period	<u>6</u>	<u>6</u>	<u>6</u>	<u>3</u>	<u>4</u>

*Note:*

- (1) As advised by our Directors, the owner of Distributor D terminated the business on his own accord around August 2016 for pursuing other personal development. In response to such termination, we cooperated with Distributor G in the same region since September 2016. Distributor C and Distributor G subsequently terminated their distributorship agreements with us in October and September 2017 respectively. As advised by our Directors, the owner of Distributor C terminated the distributorship agreement on his own accord as he decided to retire and cease his business, while the owner of Distributor G considered the customers' demand for our exclusive tile products did not meet her expectation, and hence decided not to renew the distributorship agreement upon its expiry at the material time, pending for further observation of the sales performance of our tile products. Thereafter, Distributor G still made purchases from us but without signing the distributorship agreement as the owner was still observing the sales trend of our products. On the other hand, as we intended to maintain the relationship with Distributor G with a view to renew the distributorship agreement in the near future, we continued to make sales to Distributor G notwithstanding that the distributorship agreement was expired and yet to be renewed at the material time. In April 2018, Distributor G renewed the distributorship agreement with us for a further year. The distributorship agreement with Distributor F was not renewed upon its expiry in December 2017 due to the immaterial sales contribution from Distributor F in 2017.

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As at the Latest Practicable Date, we had four distributors in the PRC purchasing tiles and bathroom fixtures from us. The following table sets forth the background of (based on the best knowledge of our Directors) and our business relationship with our distributors, including Distributors C and D which had terminated their businesses and Distributor F which had terminated its distributorship agreement with us, as at the Latest Practicable Date.

Name of distributors	Major products purchased from us	Scope of business <sup>(1)</sup>	Scale of operation and shop/business location <sup>(1)</sup>	Our brand name/trademark used by the distributor	Business relationship with our Group
Distributor A	Tiles and bathroom fixtures	Retail of tiles and wholesale and retail of building materials and bathroom fixtures	Three retail shops: (i) Xuhui District, Shanghai (ii) Xuhui District, Shanghai (iii) Jinniu District, Chengdu	N/A <sup>(2)</sup> Yes <sup>(6)</sup> N/A <sup>(2)</sup>	Since March 2015
Distributor B	Tiles	Sales of building materials and tiles	Business in Luohu District, Shenzhen	N/A <sup>(3)</sup>	Since April 2011
Distributor C	Tiles	Retail of building materials, ceramic products and bathroom fixtures	One retail shop in Xuhui District, Shanghai	Yes <sup>(6)</sup>	Since February 2015 and up to October 2017
Distributor D	Tiles	Retail of tiles	One retail shop in Tianhe District, Guangzhou	Yes <sup>(6)</sup>	Since December 2012 and up to August 2016
Distributor E	Tiles and bathroom fixtures	Interior design and sales of building materials	Business in Chaoyang District, Beijing	N/A <sup>(4)</sup>	Since July 2014
Distributor F	Tiles and bathroom fixtures	Sales of building renovation materials, bathroom fixtures and household wares	Business in Xuhui District, Shanghai	N/A <sup>(5)</sup>	Since December 2012 and up to December 2017
Distributor G	Tiles	Retail and wholesale of building and decoration materials; retail and design of furniture	One retail shop in Tianhe District, Guangzhou	Yes <sup>(6)</sup>	Since September 2016

*Notes:*

- (1) Information based on our best knowledge.
- (2) The Shanghai and Chengdu shops of Distributor A were not operated under our brand name/trademark.
- (3) Distributor B does not operate a retail shop. It undertakes renovation work and supply of building materials and tiles to end-user customers on project basis. To the best knowledge and belief of our Directors, the owner of Distributor B is the son of the owner of Distributor A.
- (4) Distributor E does not operate a retail shop. It sells its products on a wholesale basis.
- (5) During the period of our business relationship, Distributor F had previously operated a retail shop using our brand name/trademark in Xuhui District, Shanghai and since its closure, was engaging in wholesale of tiles and bathroom fixtures.
- (6) Our brand name/trademark (under trademark transfer application number 7172563) as disclosed under the paragraph headed “Statutory and General Information — B. Information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus were used by our current/previous distributors.

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Except for the Chengdu shop of Distributor A in respect of which we have not yet entered into a distribution agreement, due to its immaterial contribution to our sales for the years ended 31 March 2017 and 2018, we had entered into written distribution agreements with all our existing distributors, which were subsisting as at the Latest Practicable Date. The key aspects of our typical distribution agreement are set forth below.

- *Term.* The agreements generally have a term of one year. If the parties intend to renew the agreement, the parties shall negotiate and enter into new agreement three months prior to the expiry of the original agreement.
- *Designated sales areas.* The agreements specify the designated city where each distributor can resell our products. We do not permit our distributors to sell the products outside their designated city. We are entitled to terminate the agreements for non-compliance with this term.
- *Non-competition.* Our distributors are usually required to undertake not to enter into similar arrangement with any party other than our Group during the term of the agreement. Our distributors are also required not to engage in (irrespective of whether by itself or together with other third parties) production or sales of products in the designated sales areas, which we consider to be constituting competition with our products, during and within one year after the expiry of the term of the agreement.
- *Pricing.* We generally supply our products at the prices specified in the price lists we provide to the distributor, and the prices are set with or without discount on the prices quoted. Discount on orders of large quantity may also be available.
- *Minimum purchase requirement.* The agreement does not specify any minimum purchase requirement or sales target.
- *Payment terms.* We typically sell our products on credit and grant most of our distributors a credit term of 120 days, depending on a number of factors, such as their credit history and scale of operations. Our distributors are required to settle the outstanding trade receivables by the last calendar day on the month when the payment is due.
- *Delivery.* We are generally responsible for arranging delivery of products from our storage facilities to the locations designated by our distributors within Hong Kong.
- *Management manual.* To protect the brand name of our Group, the distributors need to strictly follow our management manual relating to the trademarks and logos, and operation system. We can terminate the agreement in the event of serious breach by the distributors.
- *Returns.* We do not accept product returns once the products are sold.
- *Tax.* The distributors shall be responsible for paying all the customs, value-added taxes and imported taxes of the products.

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- *Termination.* In any event of force majeure such that either party is unable to observe any term of the agreement, the party may terminate the agreement by giving the other party not less than 60 days' notice in writing. Besides, in case of any party breaching any term of the agreement which is not rectified within 15 days upon receiving written notice from the non-defaulting party requesting for rectification or compensation by the defaulting party, the non-defaulting party may terminate the agreement with immediate effect by giving written notice to the defaulting party.

Comparing with the corporate customers who are end-users and whose purchases are usually one-off in nature, it is our strategy to provide more flexibility to our distributors in sales terms with an aim to maintaining good business relationship with them. As we are in the developing stage of exploring the PRC market and having considered the credit terms of 90 to 180 days after the date of delivery granted to us by most of our suppliers, we have granted a credit term of 120 days to our distributors, with a view to nurturing a long-term business cooperation with our distributors.

As the terms of the distribution agreements stipulated that we do not accept product returns once the products are sold, as such, notwithstanding the expiry or termination of the distribution agreements, we would not request for nor accept the return of the unsold inventories of the distributors. As confirmed by our Directors, our Group did not have any unsold goods returned from our distributors during the Track Record Period.

We had no ownership or managerial control over any of our distributors during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, all of our distributors were Independent Third Parties during the Track Record Period and up to the Latest Practicable Date. Save for (i) Distributor D which was owned by an ex-employee of our Group; (ii) Distributor E where one of its directors, namely Mr. Li Shu is also a director and 30% minority shareholder of a subsidiary of our Group; and (iii) Distributor F whose supervisor was Mr. Tso's cousin, there were no other relationships (including family or employment relationships) between us, our Directors, our substantial shareholders, our senior management or any of our or their associates on the one hand, and our PRC distributors or any of their respective associates on the other hand during the Track Record Period and up to the Latest Practicable Date except for the business relationship described above. To the best knowledge of our Directors, save as disclosed above, all of our distributors do not have any past or present relationships with our Group and our connected persons or related parties, nor have they received any assistance (whether financial or otherwise) from our Group and our connected persons or related parties.

### **Project sales**

In addition to sales through retail shops and distributors, we also supply tile products on project basis to project customers mainly located in Hong Kong and Macau. The sales process of project sales typically involves preparation of tender documents, bidding, provision of products and coordination of installation work with engineers, contractors, interior design companies under the property development and renovation projects.

Our project sales team, led by Mr. Tso, is responsible for project sales to project customers. As and when we are aware of new potential projects, our project sales team will approach the potential project customers to discuss and understand their specifications and requirements. Upon invitation by the potential project customers, we will submit our tender documentation together with a mock-up model



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made of our recommended tile products (if required) according to their specifications and requirements. We strive to bring in elements of exclusiveness and uniqueness for each project. Our project sales team will then attend meetings with the potential project customers to discuss in detail about the project, our recommendation of products and price. Upon winning the bid, the project customers will place purchase orders with us.

Due to the size of orders and the request of project customers, we are usually required to enter into sales agreement with the project customers. The following is a summary of the salient terms in our typical sales transactions with our project customers:

- *Specifications.* Products are required to comply with a set of technical specifications and requirements set out in the sales agreement.
- *Pricing.* Products are sold to direct project customers at a discount to the retail prices. Price includes charges for modifying or customising products where applicable.
- *Payment and credit terms.* Our project customers are required to pay a deposit in the amount representing 10% to 50% of the total purchase price before our delivery of products. We generally grant our project customers credit period of 30 to 60 days after the date of delivery depending on the customer's reputation and creditworthiness and size of sales order.
- *Delivery.* We are generally responsible for delivering our products to the construction site or other location designated by our project customers.
- *Return and exchange.* Our project customers are entitled to return or exchange the products if there are any material product defects. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns and exchanges by our project customers.

### **Other sales**

Other sales primarily refer to direct sourcing by our corporate customers who previously visited our retail shops and requested specifications, volume or discounts that our retail sales team could not offer due to our internal sales and marketing policy and thus will be referred to the sales personnel in our head office for follow-up.

### **Pricing and sales policy**

We have pre-set retail prices for our products being sold at our retail shops. We set our retail prices based on the cost of purchases plus mark-up, which is determined based on a number of factors including the market conditions, the historical and forecasted sales performance of each particular product and the inventory level of that particular product. We also have a discount policy, which we believe is in line with the industry practice, to ensure that the discounts granted are in line with our overall sales strategy. Our shop supervisors are informed of the permissible range of sales discounts that can be given to our retail customers. Our shop supervisors and sales staff are given the flexibility to decide the specific discount given to each retail customer within such range. Our shop supervisors and sales staff are requested to strictly follow such policies.

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For our distributors and project customers, we normally sell the tile products at a discount to our pre-set retail price given the scale of purchase made.

### **Sales management and support team**

Our sales management and support team, led by Mr. Tso, is responsible for determining pricing and sales policies and coordinating marketing and promotional activities, and achieving sales targets. As at the Latest Practicable Date, our sales and marketing team comprised 51 full-time employees.

We set a sales target for each retail shop on both quarterly and annual basis by reference to a number of factors, including the historical monthly sales performance of the retail shop, our overall sales performance so far in that financial year, our overall sales target, the particular products carried by that particular retail shop and our inventory level of such products, the general market conditions and seasonality factors. We seek to motivate our sales staff by performance-based bonus in addition to their basic salary for meeting our annual sales targets.

### **Product return and warranty policies**

Generally we do not provide warranties for the products sold. However, in practice, we generally allow our retail customers to return or exchange their unused and untainted products due to defects discovered upon or after delivery within a reasonable period of time, usually within two weeks after delivery. In order to promote our brand through customers' word-of-mouth publicity, it is also our policy to allow our retail customers to return unused and untainted tile products (not due to defects) to us on the basis of one pack returnable for every ten packs of tile products purchased, subject to a deduction of 30% of the sale price, within a reasonable period of time, usually within two months after delivery provided that the packaging of the returned products has not been tampered with. During the Track Record Period, the total amount of goods returned (not due to defects) from our customers amounted to approximately HK\$2.1 million, HK\$1.3 million, HK\$0.8 million and HK\$1.1 million respectively. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not record any incident of product recall from our suppliers and we had not received any material product liability claims against us.

### **Seasonality**

Our sales performance is affected by seasonality. Seasonal fluctuations have affected, and are likely to continue to affect, our business. Our sales tend to peak during summer season, namely June, July and August while sales during New Year and Lunar New Year are generally low as traditionally, there are less residential and commercial premises renovation and property construction activities during those periods of time. Accordingly, we generally record less sales in January and February.

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### CUSTOMERS

Our customers comprise retail customers, project customers, distributors and corporate customers. During each of the four years ended 31 March 2018, approximately 87.7% and 73.0%, 79.4% and 75.6% of our revenue was generated from sales to retail customers respectively.

- Our retail customers refer to customers to whom we sell tiles and bathroom fixtures directly at our retail shops. Our retail customers are predominantly home owners/renters. We believe most of our sales to home owners/renters are non-recurring, as we understand most home owners/renters will purchase tiles and bathroom fixtures only once every few years due to the nature of our products.
- Our project customers primarily consist of property developers, interior designing companies and construction contractors principally in Hong Kong and Macau, who purchase tile products from us on project basis for large-scale property development projects and residential and commercial property renovation projects.
- Our distributors are typically PRC retailers and traders of tiles and bathroom fixtures, which source products from us for resale in their retail shops or through their local sales network in the PRC. As at the Latest Practicable Date, we had four distributors who have approximately two to seven years' business relationship with us and their retail shops were located in Shanghai, Guangzhou and Chengdu.
- Our corporate customers refer to those direct-sourcing customers who previously visited our retail shops and requested specifications, volume or discounts that our retail sales team could not offer due to our internal sales and marketing policy and thus will be referred to the sales personnel in our head office for follow-up.

During each of the four years ended 31 March 2018, our five largest customers were Independent Third Parties, who accounted for approximately 5.6%, 16.2%, 13.3% and 21.0% of our total revenue, respectively. For the same financial years, the largest customer accounted for approximately 1.8%, 6.1%, 3.9% and 7.8% of our total revenue, respectively.

The following sets out the background of and our business relationship with our five largest customers during the Track Record Period.

#### For the year ended 31 March 2015

Name of customer	Background	Major products supplied during the year	Year of commencement of business relationship	Percentage of total sales
Customer A	Real estate agency company	Tiles	2014	1.8%
Distributor D	Retailer of tiles	Tiles	2012	1.1%
Distributor A and Distributor B	Retailer of tiles and wholesaler and retailer of building materials and bathroom fixtures; and seller of building materials and tiles	Tiles	2011	0.9%
Customer B	Fitting out and refurbishment contractor	Tiles	2012	0.9%
Customer C	Building contractor and property developer	Tiles	2013	0.8%

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### For the year ended 31 March 2016

Name of customer	Background	Major products supplied during the year	Year of commencement of business relationship	Percentage of total sales
Distributor A and Distributor B	Retailer of tiles and wholesaler and retailer of building materials and bathroom fixtures; and seller of building materials and tiles	Tiles	2011	6.1%
Distributor C	Retailer of building materials, ceramic products and bathroom fixtures	Tiles	2015	3.3%
Distributor D	Retailer of tiles	Tiles	2012	3.2%
Distributor E	Interior designer and seller of building materials	Tiles	2014	2.7%
Customer D	Building construction contractor and civil engineering services contractor	Tiles	2014	0.9%

### For the year ended 31 March 2017

Name of customer	Background	Major products supplied during the year	Year of commencement of business relationship	Percentage of total sales
Distributor A and Distributor B	Retailer of tiles and wholesaler and retailer of building materials and bathroom fixtures; and seller of building materials and tiles	Tiles	2011	3.9%
Customer E	A company owned by a fitting-out contractor for property projects	Tiles	2016	2.9%
Customer F	Fitting-out contractor for residential and hotel projects	Tiles	2013	2.6%
Distributor E	Interior designer and seller of building materials	Tiles	2014	2.4%
Distributor C	Retailer of building materials, ceramic products and bathroom fixtures	Tiles	2015	1.5%

### For the year ended 31 March 2018

Name of customer	Background	Major products supplied during the period	Year of commencement of business relationship	Percentage of total sales
Distributor A and Distributor B	Retailer of tiles and wholesaler and retailer of building materials and bathroom fixtures; and seller of building materials and tiles	Tiles	2011	7.8%
Customer G	Fitting-out contractor for property projects	Tiles	2016	6.9%
Distributor E	Interior designer and seller of building materials	Tiles	2014	3.5%
Customer E	Companies owned by a fitting-out contractor for properties projects	Tiles	2016	1.7%
Distributor G	Retailer and wholesaler of building and decoration materials; retailer and designer of furniture	Tiles	2016	1.1%

To the best knowledge and belief of our Directors after making reasonable enquiries, none of our Directors, their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our five largest customers during the Track Record Period.

## **SUPPLIERS AND PROCUREMENT**

### **Purchasing from suppliers**

Our tiles and bathroom fixtures are predominantly sourced from Italian and Spanish manufacturers. Since the opening of our first retail shop in 2001, we have steadily expanded our network of suppliers. As at the Latest Practicable Date, we maintained a sourcing network comprising an aggregate of over 60 tile suppliers and bathroom fixtures suppliers.

We select our tile and bathroom fixtures suppliers based on a number of criteria including their reputation in the industry, quality and standards, reliability of delivery, exclusivity and price. Most of our major tile suppliers have obtained ISO 9001:2008 certification (quality management system) and ISO 10545 certification (standards and quality of tiles), and have also received the CE mark, signifying that they have met the requirements of European Economic Area. To signify the eco-sustainability and environmental friendliness of the products, most of our major tile suppliers have also obtained certifications such as Ecolabel, LEED credits and ISO 14001 (environmental management).

We do not rely on any single supplier as we maintain a wide network of suppliers. As the tile industry is susceptible to changes in the market trends and customers preferences, we strive to continuously source new products and we normally source from different suppliers from time to time. Apart from the exclusive distribution agreements we entered into with some of our major suppliers, we generally do not enter into long term agreements with our suppliers. Our purchase price of a product is agreed between the supplier and us by reference to the supplier's wholesale price and our purchase quantity. In general, most of our suppliers grant us approximately 90 to 180 days' credit terms after date of delivery pursuant to the purchase orders.

In order to manage our inventory level by placing procurement orders with our suppliers at appropriate time with appropriate quantities, our sales team will estimate the quantity of products to be ordered from our suppliers based on the sales projections (which are normally determined according to historical sales figures as well as projected market trends) for our management's approval prior to placing any purchase order. Our SAP system provides us with the sales information of the tiles and bathroom fixtures, the inventory levels and the sales data at each retail shop. We would also consult our suppliers from time to time about their stock availability and the delivery time of the tiles and bathroom fixtures.

During the Track Record Period, we did not experience any material shortage or delay in the supply of tile products or bathroom fixtures.

### **Foreign currency exchange fluctuations**

As our purchases of products are principally denominated in Euro while we receive our sales proceeds in Hong Kong dollars, we are exposed to foreign currency exchange fluctuations arising in the normal course of our business operations. Our payments for purchases are mostly settled in Euro by telegraphic transfer and bill financing. Any foreign currency exchange fluctuations are borne by us. During the Track Record Period, we recorded net exchange gains of approximately HK\$8.8 million and HK\$1.8 million for the years ended 31 March 2015 and 2017 respectively, and net exchange losses of approximately HK\$1.9 million and HK\$4.8 million for the years ended 31 March 2016 and 2018 respectively. We consider that Euro had undergone an overall decline trend during the Track Record Period and accordingly, there was an overall favourable effect on our cost of inventories sold attributable to purchases from European suppliers.

Although the foreign currency exchange fluctuations may impose significant impact on our overall business operations and financial performance, we believe that we can still manage to earn a high product margin based on our pricing strategy. Accordingly, we currently do not have a foreign currency hedging policy. We manage our foreign currencies risk by closely monitoring the movement of the foreign currency rates and performing regular reviews of our net foreign exchange exposure. In the event of any change of circumstances and we consider that our exposure to foreign currency risk has heightened, we would implement necessary measures and policy to manage the risk, such as entering into foreign currency hedging transactions in the future.

### **Exclusive distribution rights**

Depending on the amount of minimum sales target and our assessment as to how well-received by the market of the brand and products, we may enter into exclusive distribution agreements with our suppliers. As at the Latest Practicable Date, we have twelve subsisting exclusive distribution agreements entered into with Italian and Spanish manufacturers/brand owners of tiles and bathroom fixtures. The key aspects of our typical exclusive distribution agreements with our suppliers are set forth below.

- *Term.* The agreements generally have a term of one to five years.
- *Exclusivity.* Our suppliers usually grant us exclusive distribution rights for sales of their products in retail or project business in Hong Kong, Macau, and/or part or whole of the PRC.
- *Sales target.* Annual sales targets are stipulated in most agreements. The suppliers are entitled to terminate the agreement if the specified sales target is not fulfilled.
- *Pricing.* The products are supplied to us at the prices set with or without discount on the supplier's price list.
- *Termination.* The agreements may be terminated by either party (i) with or without notice to the other party; and/or (ii) if the other party has committed any breach of any term of the agreements, according to the terms of the agreements.
- *Product return arrangement.* No explicit arrangement for returning products to the suppliers after the expiry and/or termination of the agreements.

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- *Use of intellectual project rights.* Certain agreements have specified guidance and restrictions on our use of the suppliers' intellectual property rights, such as trademarks and logos, as display for our sales and promotional purposes.

As the ownership of the products we purchased during the term of the exclusive distribution agreements has been transferred to our Group and given that the exclusive distribution agreements do not stipulate that we are prohibited from selling unsold inventory after the expiry or termination of exclusive distribution rights, we are allowed to sell any unsold inventory despite such expiry or termination. Apart from the exclusive distribution rights, we usually place purchase orders with our suppliers from time to time depending on our operation needs.

### Major suppliers

During each of the four years ended 31 March 2018, our five largest suppliers, who were all tile manufacturers and Independent Third Parties, accounted in aggregate for approximately 56.3%, 59.5%, 53.6% and 56.3% of our total purchases, respectively. For the same financial years, the largest supplier accounted for approximately 24.0%, 26.5%, 21.1% and 23.5% of our total purchases, respectively. Among our five largest suppliers, Suppliers A, B and D (as defined below) have entered into exclusive distribution agreements with us which were subsisting as at the Latest Practicable Date.

The following sets out the background of and our business relationship with our five largest suppliers, whose principal business activities were manufacture and supply of tiles, during the Track Record Period.

#### For the year ended 31 March 2015

Name of supplier	Background	Year of commencement of business relationship	Percentage of total purchase
Supplier A	Italian manufacturer of tiles with a worldwide distribution network	2002	24.0%
Supplier B	Italian manufacturer of tiles with a worldwide sales network	2006	17.8%
Supplier C	Italian manufacturer of tiles with a worldwide sales network	2006	6.4%
Supplier D	Italian manufacturer of tiles and bathroom furnishings	2008	4.8%
Supplier E	Italian manufacturer of ceramic, bathroom fixtures and chemical components	2012	3.3%

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### For the year ended 31 March 2016

Name of supplier	Background	Year of commencement of business relationship	Percentage of total purchase
Supplier A	Italian manufacturer of tiles with a worldwide distribution network	2002	26.5%
Supplier B	Italian manufacturer of tiles with a worldwide sales network	2006	13.3%
Supplier C	Italian manufacturer of tiles with a worldwide sales network	2006	7.7%
Supplier F	Spanish manufacturer of tiles with a worldwide distribution network	2006	7.6%
Supplier G	Italian manufacturer of tiles	2010	4.4%

### For the year ended 31 March 2017

Name of supplier	Background	Year of commencement of business relationship	Percentage of total purchase
Supplier A	Italian manufacturer of tiles with a worldwide distribution network	2002	21.1%
Supplier H	Italian manufacturer of tiles	2006	10.0%
Supplier B	Italian manufacturer of tiles with a worldwide sales network	2006	9.4%
Supplier E	Italian manufacturer of ceramic, bathroom fixtures and chemical components	2012	8.0%
Supplier I	Italian manufacturer of tiles	2010	5.1%



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For the year ended 31 March 2018

Name of supplier	Background	Year of commencement of business relationship	Percentage of total purchase
Supplier A	Italian manufacturer of tiles with a worldwide distribution network	2002	23.5%
Supplier J	Italian manufacturer of tiles	2010	10.2%
Supplier B	Italian manufacturer of tiles with a worldwide sales network	2006	8.6%
Supplier E	Italian manufacturer of ceramic, bathroom fixtures and chemical components	2012	7.7%
Supplier K	Italian manufacturer of tiles	2014	6.3%

To the best knowledge and belief of our Directors, after making reasonable enquiries, none of our Directors, their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers during the Track Record Period.

### TRANSPORTATION AND LOGISTICS

#### Delivery from our suppliers

Our suppliers are responsible for packing the products in cartons and loading them in cargos ready for delivery to us by sea. Depending on shipping terms, we will be responsible for arranging freight forwarding companies to pick up and deliver the cargos of products from our suppliers to Hong Kong. Upon arrival of the cargos of products in Hong Kong, we will then arrange logistics companies to pick up and deliver the cargos from the freight forwarding companies' warehouses in Hong Kong to our own storage facilities.

#### Delivery to our customers

Unless the customers pick up the products at our retail shops, we generally deliver our products to the locations designated by our retail customers in Hong Kong. Leveraging on our large amount of inventory, we are generally able to deliver the products to our customers within two days of the purchase. We usually deliver our products to our distributors and project customers by the time specified. For sales to our project customers, we deliver the products to the locations of our project customers or the locations designated by them. For sales to our PRC distributors, we usually deliver our products to the designated locations in Hong Kong by the distributors.

We have maintained stable relationship with more than two logistics service providers for delivering our products to customers. We do not rely on any single logistics company as we can easily find an alternative in the market. To the best knowledge and belief of our Directors after making reasonable enquiries, all the logistics service providers that we engaged during the Track Record Period were Independent Third Parties.

## BUSINESS

### ENTERPRISE RESOURCE PLANNING SYSTEM

We have implemented a SAP system which is integrated with our point-of-sales system installed among all our retail shops where the real time sales information can be accessible by our office. The SAP system is an ERP system providing users with real-time business application, which we believe, helps to enhance our overall operational efficiency as well as business development in the following ways:

*Up-to-date sales information* — our sales staff is required to input sales information, including types of products sold, quantity of goods sold, price, payment information and delivery information, at the time of the sales transaction;

*Real time access* — our management, back office and sales staff have real time access to the inventory level of all products, and logistic data in relation to the products sold;

*Inventory and logistic planning* — the SAP system allows us to have up-to-date information on the inventory level and movements which enables us to plan our purchase and logistics with certainty and in an efficient manner; and

*Formulation of business plans* — the SAP system allows us to carry out analysis of the latest consumers' preference and trends which enables us to formulate business plans and make adjustments in a timely and efficient manner.

### CASH MANAGEMENT

Our customers make most of their payments at our retail shops by credit cards or electronic payments. Therefore, we handle a limited amount of cash in our retail shops on a daily basis. Nevertheless, we have implemented a simple internal procedure on cash management. Our sales staff at each retail shop is required to input details of every sales transaction into our point-of-sales system so that all daily transactions are recorded and can be monitored by our head office. The shop supervisor at each retail shop is responsible for conducting daily cash counts at the close of the business day. Cash collected will be deposited into the bank by our sales staff on or before the next working day, and our accounts department will check against the bank-in slips for the cash deposited and the records of sales through credit cards and electronic payments. All relevant payment proofs and bank-in-slips are submitted to our accounts department for counterchecking.

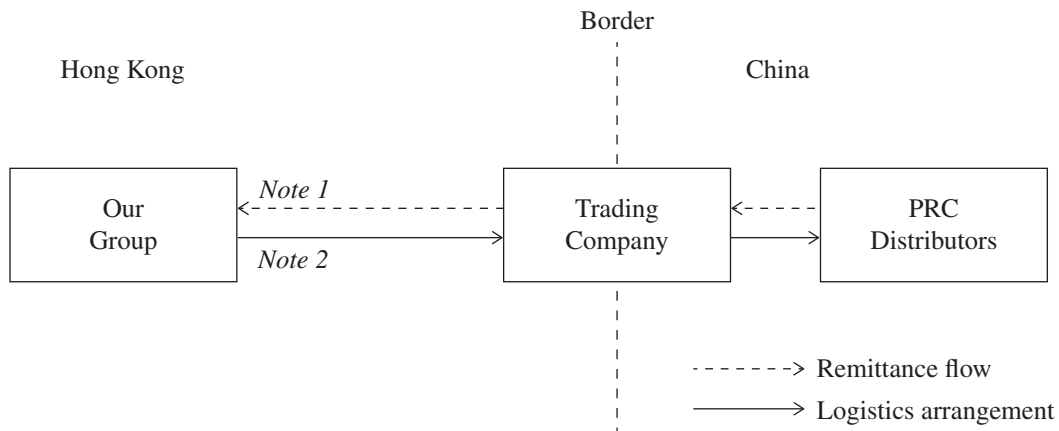
Our Directors confirm that no incident of material losses resulting from mishandling of cash and credit card sales and no material misappropriation or theft of cash by our staff, customers or other relevant third parties was noted during the Track Record Period.

## BUSINESS

### CROSS-BORDER TRADE SETTLEMENT WITH OUR PRC DISTRIBUTORS THROUGH A PRC TRADING COMPANY

Our PRC distributors settled their trade payables to us through engaging a trading company, an Independent Third Party mainly involved in the import trade agency business in the PRC and registered as a foreign trade operator with the Ministry of Commerce of the PRC (the “**Trading Company**”), to facilitate the settlement of the import trade transactions with us during the Track Record Period (the “**Cross-border Trade Settlement**”). According to Ipsos, it is a typical way for local companies in China to engage a foreign trade operator for such arrangements. Please refer to “Industry Overview — Competitive Analysis of the Imported Tiles Retailing Industry in China” for further details.

#### General workflow of the Cross-border Trade Settlement



*Note 1:* During the Track Record Period, the Trading Company was responsible for acting on behalf of the PRC distributors to remit the sales proceeds to our Group.

*Note 2:* During the Track Record Period, the Trading Company was in general responsible for arranging (i) goods collection at specific locations via the logistics team of the Trading Company; and (ii) customs clearance.

Our PRC distributors engaged the Trading Company to provide cross-border logistics services in respect of their purchases of the imported tiles and bathroom fixtures from us to China. The Trading Company, upon receiving instructions and sales proceeds from our PRC distributors, arranged the remittance of the sales proceeds to us through application of fund transfer from its bank accounts in the PRC to our bank accounts in Hong Kong. The Trading Company confirmed that the relevant import trade details, including the distribution agreements between the PRC distributors and us and the identities of the involved trading parties, were provided and disclosed to the remittance banks during the fund transfer application process. During the Track Record Period, the currencies of settlement money we received were either denominated in Renminbi or HK dollars. Since January 2016, we only accept settlement money denominated in HK dollars.

### **Reason for the Cross-border Trade Settlement with our PRC distributors**

According to Ipsos, with regard to the cross border transaction in China, it is a typical way for local companies in China to find a foreign trade operator, which is a registered company with qualification to conduct in foreign trade business, to import/export goods and handle money settlements on behalf of the local companies in a cross border transaction. To the best information and knowledge of our Directors, (i) during the Track Record Period, our PRC distributors were entities established in the PRC with no bank accounts in Hong Kong to settle their trade payables as mentioned above. Therefore, our PRC distributors rely on a foreign trade operator, the Trading Company to handle the Settlement money to us; and (ii) there had not been any dispute relating to the Cross-border Trade Settlement with our PRC distributors or the Trading Company during the Track Record Period and up to the Latest Practicable Date.

### **Legal implication relating to the Cross-border Trade Settlement**

Based on reviewing (i) the confirmations received from the Company, the Trading Company and PRC distributors, (ii) the distribution agreements between the Company and the PRC distributors, and (iii) cross-border remittance documents, and assuming that the remittance banks have duly accomplished their relevant responsibilities and necessary procedures under applicable PRC laws and regulations, our PRC legal adviser is of the view that we would not contravene any laws, rules and regulations of the PRC by virtue of accepting the trade payable proceeds through the Cross-border Trade Settlement.

## **MARKETING AND PROMOTION**

We believe that given the nature of the tiles and bathroom fixtures, retail customers generally prefer shopping and picking the choices at retail shops. Nevertheless, we also recognise the importance of marketing and promotion to our business growth and have adopted the following marketing and promotional strategies for our tiles and bathroom fixtures:

### **Showroom display**

We consider in-store shopping experience as the primary means of attracting and stimulating customers' purchase. We place strong emphasis on the design and product layout of each of our retail shops. Each of our retail shops showcases different mix of tiles targeting different groups of customers of different preferences and specifications. The internal layout of each of our retail shops is specifically arranged according to the product portfolios and styles we adopt for each shop. To enhance the appeal of our products, we also display the products through mock-ups of furnished bathroom in some of our shops, which enable our customers to experience our products in a real life setting. We believe our showroom displays render us vital consumer exposure which we would not be able to obtain solely through media marketing campaigns and hence constitute a key contributing factor to our success.

### **Marketing materials**

Product catalogues from our suppliers are available for customers' reference at our retail shops. For our project customers, we would also prepare specific folder charts containing product mix of our recommendations with product specifications.

## **BUSINESS**

### **Social networking**

We set up Facebook pages for most of our retail shops to promote our new products where we upload photos of our new products regularly.

As our marketing emphasis is on the design and product layout of each retail shop to enhance our customers' in-store shopping experience, we incur insignificant advertisement and promotion expenses.

### **Marketing for project customers**

As and when we are aware of new potential projects, our project sales team will approach the potential project customers to discuss and understand their specifications and requirements. Upon invitation by the potential project customers, we will submit our tender documentation together with a mock-up model made with our recommended choice of tile products (if required) according to their specifications and requirements. We strive to bring in elements of exclusiveness and uniqueness for each project. Our project sales team will then attend meetings with the potential project customers to discuss in detail about the project, our recommendation of products and price.

### **Marketing for distributors**

We engage in various marketing and promotional activities to boost our PRC distribution sales, such as promoting our exclusive tiles and bathroom fixtures in the PRC through attending exhibitions, sending product samples for display at the distributors' retail shops, and allowing certain of our distributors to operate their retail shops in the PRC using our brand name/trademark.

## **QUALITY CONTROL**

Due to the nature of the imported tiles and bathroom fixtures, we rely on our suppliers' quality control. Most of our major tile suppliers have obtained ISO 9001:2008 certification regarding quality management system and ISO 10545 certification regarding standards and quality of tiles, and have also received the CE mark, signifying that they have met the requirements of European Economic Area. To signify the eco-sustainability and environmental friendliness of the products, most of our major tile suppliers have also obtained certifications such as Ecolabel, LEED credits and ISO 14001 regarding environmental management.

Upon arrival of the tiles and bathroom fixtures at our warehouse, our quality control team will check the products against the specifications as set out in our relevant purchase orders placed, and then carry out a sample check on the quality of the products, which are packed in individual cartons, by visual inspection. Upon discovery of any apparent defects, we will immediately contact the relevant supplier and reach a mutually agreed mechanism for return or exchange of the products concerned. Our Directors confirm that during the Track Record Period, we did not experience any material incident of defective products delivered from our suppliers.

## BUSINESS

Prior to our delivery of the products to our customers, our quality control team will conduct a sample check of the products by visual inspection. We do not provide warranties for the products sold, however, in practice, we generally allow our retail customers to return or exchange their unused and untainted purchase due to defects discovered upon or after delivery within a reasonable period of time, usually within two weeks after delivery. In order to promote our brand through customers word-of-mouth publicity, it is also our policy to allow our retail customers to return unused and untainted tile products (not due to defects) to us on the basis of one pack returnable for every ten packs of tile products purchased, subject to a deduction of 30% of the sales price, within a reasonable period of time, usually within two months after delivery provided that the packaging of the returned products has not been tampered with.

### INVENTORY

All our inventories, principally comprising tiles and bathroom fixtures, are stored in our storage facilities. Our SAP system, which is integrated with our point-of-sales system installed among all our retail shops where the real time sales information can be accessible by our office, helps us to manage our inventory. Upon arrival of the tiles and bathroom fixtures at our warehouse, we will input all relevant data into the SAP system, including brand name, product series, size, quantity and unit purchase price. Our sales staff at each retail shop is required to input sales information, including types of products sold, quantity of goods sold, price, payment information and delivery information, at the time of the sales transaction. Similarly, our project sales team is required to provide the sales information of all sales transactions completed with the project customers for the input of the relevant information by our responsible staff. The SAP system allows us to monitor and have up-to-date information on the inventory level and movements. Mr. Tso will meet with our sales managers on an average of at least once a month to discuss the sales performance and inventory level. To ensure accuracy of our inventory data, we perform stock count in our warehouses on an annual basis.

During the Track Record Period, our average inventory turnover days were approximately 307.5 days, 377.0 days, 433.5 days and 416.0 days, respectively.

By regularly monitoring our inventory turnover, we believe that we can make appropriate adjustment to our product portfolio in order to capture customer preference based on the latest market information and we may adopt different marketing plans to accelerate the sales of slow-moving stocks. It is our inventory provisioning policy that our accounting department will prepare inventory aging analysis annually and our Directors will assess whether there is any indication that the net realisable value of inventories fall below their respective cost after considering various factors, including but not limited to, (i) the costs of procurement; (ii) our recent selling prices for similar products, (iii) the market conditions; and (iv) our pricing policy. If there is indication that the net realisable value of inventories has fallen below the cost, we will determine the net realisable value of relevant inventories by reference to the aforementioned factors and provide for the shortfall accordingly. During the Track Record Period and up to the Latest Practicable Date, we did not make any provision in respect of any of our Group's inventories since there had not been any indication that the net realisable value of the inventories fell below their respective costs of procurement. To ensure we maintain a healthy inventory control and cash-flow, we adopt a flexible pricing strategy that is reviewed from time to time taking into account of our inventory balance and inventory aging.

## **AWARDS**

In September 2015, as a testament of our success, Confindustria Ceramica awarded the Ceramica Distributor Award 2015 to us based on an assessment of a number of criteria, including history of the company, competence and degree of professionalism over the years and investments made for promoting Italian ceramic tiles by Confindustria Ceramica. Confindustria Ceramica is a highly-recognised association of Italian ceramic tile and refractory material manufacturers according to Ipsos. We were one of the few tile retailers/distributors in Asia-Pacific region being awarded with such honourable award.

## **COMPETITION**

### **Competitive analysis**

We operate in a highly competitive and fragmented industry. According to Ipsos, we were the largest player in the overseas manufactured tile retailing industry in Hong Kong in 2017 in terms of revenue, with a market share of approximately 27.2% of the overseas manufactured tile retailing market and approximately 17.2% of the overall tile retailing industry in Hong Kong. The imported tile retailing industry is equivalent to the overall tile retailing industry, since all tiles are imported to Hong Kong in the absence of local production. According to Ipsos, we operated the largest number of retail shops and carried the largest number of brands of overseas manufactured tile products in Hong Kong as of August 2018.

According to Ipsos, in 2017, there were approximately 40 tile retailers in Hong Kong. Although we compete with other tile retailers in Hong Kong, we believe that the scale of our operations and the variety of high-end European imported tile products that we offer are unparalleled in the tile industry in Hong Kong.

According to Ipsos, the market of the tiles retailing is generally stable with slight growth in the number of retail stores from 2015 to 2017. Additionally, based on Ipsos's interviews with industry stakeholders, the Spanish and Italian tiles retailing market has encountered more competition in the said period for the following reasons: (i) quality of tiles manufactured in mainland China, which may serve as an alternative to Spanish and Italian tiles, get improved; (ii) design and pattern of mainland Chinese tile get more variety compared to the past; (iii) more mainland Chinese tiles received certifications such as ISO 9001 or recognition of environmentally friendly building materials; and (iv) mainland Chinese tiles are generally less expensive than Spanish and Italian tiles. With the aforementioned reasons, the market of Spanish and Italian tiles retailing may be moderately affected due to the competition.

**Entry barrier**

We consider that the entry barrier to the overseas manufactured tile retailing industry is high. A wide and stable network of suppliers, exclusive and reliable supply of high quality products, inventory capacity, location of retail shops, knowledgeable sales personnel, experienced management are key elements to success in this industry. Having an established leading and renowned position in the industry, we believe we enjoy more bargaining power than most of our competitors in terms of product selection, pricing and credit term. We also believe that we are in a strong position to compete with both existing and new competitors in view of our in-depth experience and expertise in the tile retailing industry, wide and established suppliers' base, long-term and stable relationships and trust with our suppliers, and an extensive retail network in Hong Kong.

**Industry outlook and our sustainability**

The Hong Kong property market has been experiencing a decline during the historical period from 2012 to 2016. According to the Rating and Valuation Department, the number of transaction volume of residential property including both primary sales and secondary sales decreased from 81,333 in 2012 to 54,701 in 2016, at a CAGR of approximately -9.4%. Such decline was mainly due to the regulatory policies adopted by the Hong Kong government to curb speculations, the expectation of a rising interest rate due to the increase of the US federal fund rate and the recent slowdown of the Hong Kong economy. According to Ipsos, however, the residential property market witnessed a property price increase and recovery of domestic transaction volume since late 2016, and the upward trend remains in 2017. According to the Rating and Valuation Department the number of transaction volume of residential property rebounded to 61,591 in 2017 indicating that the property market in Hong Kong may start going up again after digesting all the negative effects from various government tax policies and negative expectation on the property market.

Our Directors consider that the correctional trends in the property market from 2012 to 2016 will not result in a significant decline in the demand of our Company's products and will not in turn impact the sustainability of our Group's business for the following reasons:

- the residential property market in long-term will be supported by the strong demand and the increasing purchasing power of local end-users. According to Ipsos, the relatively low housing supply and rising property price, from 2005 to 2016 suppressed the demand of local end-users who possess increasing consumption power (supported by an anticipated CAGR of 3.2% of the private consumption per head from 2018 to 2021) and are exempted from some of the regulatory measures aiming at restricting property speculations and cooling the property market;
- in fact, the residential property market witnessed a property price increase and recovery of domestic transaction volume since late 2016, and the upward trend remains in 2017. For instance, the annual transaction volume of residential property (both primary and secondary) in 2017 increased by approximately 12.6% compared to 2016. It is expected that the transaction volume will remain in the moderate upward trend in the short-to-medium term. This evidently reflects that the demand from local end-users for residential properties remains strong;



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- given that the residential property market observed a recovery since late 2016, and the upward trend remains in 2017, Ipsos further mentioned that the residential property market, in terms of the transaction volume of residential property, is expected to remain on a similar level, or at most suffering from minor fluctuations during the forecast period from 2018 to 2021, after considering the stable demand and purchasing power of local end-users as well as economic outlook of Hong Kong (supported by an anticipated annual growth rate of approximately 3.1% to approximately 3.6% of GDP from 2018 to 2021), with an underlying assumption that there are no external shocks such as financial crisis that may potentially impact the economic conditions of Hong Kong. In addition, it has been forecasted by the Hong Kong Government in the 2016 Policy Address that approximately 87,000 new private housing units will become available between 2016 and 2019/20. The pickup in residential property market, the completion of new property projects and the increasing purchasing power of local residents will support the continuous growth of the residential property market in the long run;
- the transaction volume of residential property is only one of the factors, among others, affecting the growth of the tiles retailing market in Hong Kong. Although the transaction volume of residential properties will have a direct impact on the need for home refurbishing and renovation and hence the demand for tiles, a decrease in transaction volume of residential properties does not necessarily lead to material downsizing of the tiles retailing market in Hong Kong;
- the growth of the tile retailing market could be attributed (but not limited) to: (i) the rising demand for home improvement, remodelling and furnishing materials from local customers for replacing worn-down or outdated decoration materials in use; (ii) the rising number of new residential property constructions completed by the Hong Kong government and private property developers which lead to a rising demand in tiles for these new properties, counteracting the drop in retail sales to the retail customers; (iii) the stable number of residential property leases which typically requires the landlords to renovate their properties before leasing them out to tenants which lead to a stable or rising demand for building materials, such as tiles. These aforementioned factors together contributed to the moderate growth of the tiles retailing industry and potentially counteracted the adverse impact due to the historical decreasing residential property transaction volume; and
- notwithstanding the recent cautious market sentiment in the residential property market, Ipsos is of the view that the tiles retailing market will continue to grow over the years. As disclosed in the section headed “Industry Overview” in the prospectus, from 2018 to 2021, the total import value of tiles is forecasted to rise from approximately US\$125.0 million to approximately US\$130.3 million at a CAGR of approximately 1.4%. Therefore, the tiles retailing industry in Hong Kong is expected to continue to develop sustainably. The correctional trends in property market may affect the business development of or slow down the growth of our Group, but it will not lead to significant decline in the demand of our Group’s products, nor will it affect the sustainability of our Group’s business.

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Besides, we have been exploring revenue source other than retail sales such as project sales and distribution sales. Our revenue from non-retail sales for the year ended 31 March 2017 amounted to approximately HK\$37.8 million (accounting for approximately 20.6% of the total revenue of the year) as compared to the amount of approximately HK\$21.4 million for the year ended 31 March 2015 (accounting for approximately 12.3% of the total revenue of the year). For the year ended 31 March 2018, the proportion of our revenue from non-retail sales further increased to approximately 24.4% of our total revenue. Therefore, we believe that the decrease in the reliance on the retail sales will reduce the impact on our Group's products (if any) when the residential property market in Hong Kong is experiencing a decline generally.

Having considered all the above, our Directors are of the view that the decline in the property market will not result in a significant decline in demand of our Company's products which may in turn impact on the sustainability of our business.

### EMPLOYEES

#### Number of employees by function

As at the Latest Practicable Date, we had a total of 75 full-time employees. The following sets out the number of employees by function as at the Latest Practicable Date:

	<b>Number of employees</b>
Senior management (including executive Directors)	5
Finance and accounting	4
General administration	5
Procurement	2
Sales and marketing	51
Quality control, warehousing and logistics	<u>8</u>
Total	<u><u>75</u></u>

#### Relationship with staff

We consider that we have maintained amicable relationship with our employees. We confirm that we have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any material difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there were no labour union established by our employees.

**Training and recruitment policies**

We generally recruit our employees from the open market. We assess our available human resources on a continuous basis to determine whether additional personnel are required to meet our business development. We provide various trainings to our employees on a regular basis to strengthen their product knowledge and deepen their industry insight. We also provide trainings to new employees to educate them of our internal rules and to enhance their safety awareness. We intend to cultivate a sense of work safety among our employees and to enhance the technical skills relevant to each employee's responsibilities through the trainings we offered to our employees.

**Remuneration policy**

The remuneration package we offer to our employees includes basic salary and bonuses. We determine employee salaries based on each employee's qualifications, position and seniority. For our sales personnel, they are entitled to performance-based bonus based on, among others, meeting the monthly sales target set by us.

We provide retirement benefits to our employees under the Mandatory Provident Fund Scheme in Hong Kong.

**HEALTH AND WORKPLACE SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

**Health and workplace safety**

Pursuant to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. We consider we have managed our business operations with due consideration to workplace safety and health concerns and comply with the relevant requirements.

To provide our employees with a safe and healthy working environment, our staff handbook for the operation and warehousing staff contains work safety rules, such as emergency and evacuation procedures upon breakout of fire, electrical outage and water flood in our retail shops. Where appropriate, warning signs or notices are posted to draw the staff's attention of occupational safety especially when they are performing their duties in the warehouses.

During the Track Record Period, our Group did not have any major safety incidents involving employees. We have not committed any material non-compliance in relation to health and safety matters and we have not received any notification from any relevant government authorities demanding fines, penalties, imposition of specific safety requirements or other exceptions during the Track Record Period and up to the Latest Practicable Date.

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### Social and environmental matters

Currently, there is no legislation in Hong Kong regulating tile products in relation to radiation emission level, and there is no industry testing standard or benchmark in Hong Kong providing reference to tile importers on radiological protection or safety guidance. Nevertheless, we consider it a social responsibility to ensure that the tile products sold by us are at a safe radiation emission level. Hence, it is our policy not to import tile products which contain radioactive substance hazardous to human health and that most of our major tile suppliers have obtained certifications such as Ecolabel, LEED credits and ISO 14001 regarding environmental management.

### INSURANCE

We maintain different types of insurance policies which cover, among other things, our assets, including insurance for loss and damage to our inventories in our warehouses and stores, against, among other things, fire and burglary. We have also taken out other insurance policies including employees' compensation insurance, retail shop and office protection insurance and public liability insurance. We do not maintain product liability insurance for our products as we believe this is in line with market practice. We consider that we have maintained sufficient insurance coverage for our assets and inventories based on our operational needs. During the Track Record Period and up to the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

The total insurance premium paid by us during the Track Record Period amounted to approximately HK\$0.2 million, HK\$0.3 million, HK\$0.3 million and HK\$0.3 million, respectively.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered three trademarks in Hong Kong and two trademarks in the PRC. We are the registered proprietor of one domain name, namely rbmsgroup.com. Please refer to “Statutory and General Information — B. Information about the business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for more information.

Under the exclusive distribution agreements with our suppliers of European branded tiles and bathroom fixtures, our suppliers may authorise us to use their intellectual property rights in promoting and selling the tile products in authorised territories during the term of the exclusive distribution agreements. In 2014, a third party supplier (the “**Complainant**”) initiated a claim against RBMS HK in the High Court of Hong Kong for trademark infringement, passing off and breach of section 6 of the Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong). The Complainant alleged that RBMS HK had infringed the Complainant's trademarks by selling and marketing unauthorised building and household materials, and displaying signboard with the Complainant's trademarks in the retail shops, as RBMS HK had been prohibited to continue to use such trademarks in selling and marketing the building and household materials after the termination of RBMS HK's license as an authorised distributor for the Complainant on 31 December 2010 (the “**Trademark Infringement Claim**”). The Complainant sought injunctive relief, order for delivery up or destruction upon oath of any product bearing the trademarks and damages.

## BUSINESS

RBMS HK was appointed as the authorised distributor of the Complainant's products, by way of appointment letter, for the territory of Hong Kong for the period from 1 January 2005 to 31 January 2006 (the "**First Appointment**"). As confirmed by the directors of RBMS HK, after the expiry of the First Appointment, it was verbally agreed that RBMS HK would continue to be authorised to sell the unsold stocks (the "**Subsequent Licence**"). As confirmed by the directors of RBMS HK, no further agreement was reached by the relevant parties stipulating the termination date of the Subsequent Licence. Despite the allegation made by the Complainant that the Subsequent Licence was terminated on 31 December 2010, which was denied by RBMS HK, RBMS HK asserted that it had never received any notice, whether in written or verbal form, of such termination at the material time from the Complainant. RBMS HK only became aware of such termination in 2013 when it received letters from the legal advisers of the Complainant asking RBMS HK to cease and desist continued use of the Complainant's trademarks and corporate logo. It was the understanding of RBMS HK that, under the authorised distributorship arrangement with the Complainant, RBMS HK was entitled to continue to deal with or dispose of any remaining stock of the Complainant's products and there was no restriction on the usage of the Complainant's trademark and corporate logo, and the sales of the Complainant's products even after termination of such authorised distributorship arrangement. Therefore, RBMS HK continued to sell and market the Complainant's products after it was notified of the termination of its authorised distributorship arrangement in 2013.

After receiving a writ of summons served by the Complainant in August 2014, RBMS HK instructed its legal advisers to file a defence and counterclaim to deny and counter the allegations made by the Complainant, and to assert its right to continue the sales of its remaining stocks in November 2014. With a view to resolving the dispute amicably in the interests of saving time and resources of the management in dealing with the legal proceedings, RBMS HK and the Complainant had agreed to proceed with mediation and had been negotiating for settlement since May 2015.

In January 2016, the disputed parties reached an amicable settlement on the terms and conditions that: (1) RBMS HK shall be entitled to sell the remaining stocks of the Complainant's products in our retail shops in Hong Kong up to 31 December 2016 (inclusive) at not less than certain price with a limitation on discount insofar as RBMS HK may properly do so by law; (2) RBMS HK shall remove all remaining signage in relation to the Complainant's trademarks from our retail shops in Hong Kong and all advertising materials (including exhibition displays and/or mock-ups) within a prescribed period of time; and (3) RBMS HK shall undertake not to directly or indirectly place or assist in the placement of any further advertising materials, signage or other materials in relation to the Complainant's trademarks in Hong Kong. On 21 January 2016, the parties filed a signed consent order setting out the above full and final settlement terms with the High Court of Hong Kong.

Our Directors maintain their stance that given RBMS HK was authorised to sell the unsold stocks pursuant to the Subsequent Licence and the Trademark Infringement Claim merely represents a commercial dispute arisen during the ordinary course of business of our Group and our Directors have acted honestly and in good faith in the interest of RBMS HK as a whole. RBMS HK also had not been in breach of any contractual terms under the First Appointment or the Subsequent Licence despite the allegation made by the Complainant which our Directors deny. The Sponsor, having considered the facts and circumstances set out above, is of the view that the Trademark Infringement Claim did not reflect negatively on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

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Our Directors are of the view that the Trademark Infringement Claim is of a standalone one-off incident and will not have a continuous adverse impact on our business operations. However, with a view to minimising the possible risks arising from potential trademark infringement and/or passing off claims and any application for interlocutory injunctive relief similar to the Trademark Infringement Claim in the future, we have resolved to adopt the following preventive measures:

- We maintain an internal record setting out the expiry date of each of the exclusive distribution agreements with our suppliers. Such internal record is prepared and reviewed by our logistic and administration manager, Ms. Lau Ka Man, from time to time to ensure the timeliness of commencing negotiations with our suppliers for renewal. Please refer to the section headed “Directors and Senior Management” for further details of Ms. Lau Ka Man’s seniority and experience.
- We will commence negotiation with our respective suppliers not less than one month prior to the expiry date of the relevant exclusive distribution agreements regarding the renewal of the agreements. Our chairman, Mr. Tso, is responsible for negotiating with our relevant suppliers for renewal of agreement. Please refer to the section headed “Directors and Senior Management” in this prospectus for further details of Mr. Tso’s seniority and experience.
- We will seek external legal advice in respect of any potential infringement of any intellectual property rights owned by third parties as and when appropriate.

Our Directors confirm that the remaining stocks underlying the Trademark Infringement Claim were fully sold by 31 December 2016. As such, no unsold stocks were needed to be destroyed pursuant to the settlement terms, which would otherwise require written-off of such stocks in the financial statements for the year ended 31 March 2017.

Save as disclosed above, as at the Latest Practicable Date, we were not aware of any material infringement of the intellectual property rights of our licensed brands.

### PROPERTIES

As at the Latest Practicable Date, we did not own any property. For our operations, we had entered into lease agreements for a total of 20 properties, out of which 18 were used as our retail shops, one as our storage facilities and one as our office. Details of the said leased properties as at the Latest Practicable Date are set forth below:

Properties	Term	Approximate gross floor area (sq.ft.)	Monthly rental expenses (HK\$)	Usage
G/F, 284 Lockhart Road, Wanchai, Hong Kong	From 10 February 2016 to 9 February 2019	587	155,000	Retail shop (RBMS)
Shop 2, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong	From 1 November 2015 to 31 October 2018	889	206,000	Retail shop (Fei Concept)

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Properties	Term	Approximate gross floor area (sq.ft.)	Monthly rental expenses (HK\$)	Usage
Shop 5, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong <sup>(1)</sup>	From 1 December 2017 to 30 November 2018	1,033	210,000	Retail shop (LS3)
Shop C, G/F, Hang Tat Mansion, 161, 163 and 165 Lockhart Road, Wanchai, Hong Kong	From 1 February 2016 to 31 January 2019	760	230,000	Retail shop (Glamour)
G/F, 282 Lockhart Road, Wanchai, Hong Kong	From 1 March 2017 to 28 February 2019	1,172	162,500	Retail shop (Luxe)
Shop 8, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong <sup>(1)</sup>	From 1 December 2017 to 30 November 2018	715	210,000	Retail shop (La Maison)
Shop A, G/F, Kam Koon Building, 308, 310 and 312 Lockhart Road, Wanchai, Hong Kong <sup>(1)</sup>	From 1 December 2017 to 30 November 2018	824	200,000	Retail shop (My Habit)
Shop 7, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong	From 1 June 2016 to 31 May 2019	713	225,000	Retail shop (Muse)
Shop B, G/F, 151 Lockhart Road, Wanchai, Hong Kong	From 7 August 2017 to 6 August 2020	962	195,500	Retail shop (Home Savoy)
Shop 3A, G/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong	From 1 June 2018 to 31 May 2021	376	92,000	Retail shop (Acqua)
Shop B, G/F, 283–285 Portland Street, Mongkok, Kowloon	From 16 February 2017 to 15 February 2019	404	175,000	Retail shop (Tile Concept)
G/F, 300 Portland Street, Mongkok, Kowloon	From 1 December 2016 to 30 November 2018	642	228,000	Retail shop (Futura)
G/F, 286 Portland Street, Mongkok, Kowloon <sup>(1)</sup>	From 1 December 2017 to 30 November 2018	702	200,000	Retail shop (R&B)

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Properties	Term	Approximate gross floor area (sq.ft.)	Monthly rental expenses (HK\$)	Usage
G/F, 338 Portland Street, Mongkok, Kowloon	From 3 January 2016 to 2 January 2019	800	190,000	Retail shop (Casa 88)
G/F, Fook Cheong Building, 314 Portland Street, Mongkok, Kowloon	From 18 May 2018 to 17 May 2020	960	288,000	Retail shop (My Shop)
Shop B, G/F, 280 Portland Street, Mongkok, Kowloon <sup>(1)</sup>	From 1 December 2017 to 30 November 2018	1,033	280,000	Retail shop (Dolce Vita)
G/F, 290 Portland Street, Mongkok, Kowloon	From 1 September 2018 to 31 August 2021	581	260,000	Retail shop (Uptown)
Shop 5, G/F, Hing Lin Building, 30-36 Hop Yick Road, Yuen Long, New Territories	From 2 January 2017 to 1 January 2020	1,155	88,000	Retail shop (Mira)
Warehouse situated at Lots 1256, 1258 and 1259 in D.D. 119, Yuen Long, New Territories <sup>(1)</sup>	From 1 August 2018 to 31 July 2019	22,927	330,000	Warehouse
50/F, China Online Centre, 333 Lockhart Road, Wanchai, Hong Kong	From 1 October 2016 to 30 September 2019	3,575	174,420	Office

*Note:* (1) These properties were leased from related parties.

We consider the lease arrangements to be advantageous to our overall business plan as they help to reduce our capital commitment and allow us to concentrate our capital resources on our business and operations. Currently, we do not intend to acquire any properties to be used as our retail shops. During the Track Record Period, our property rentals and related expenses amounted to approximately HK\$38.7 million, HK\$46.5 million, HK\$50.2 million and HK\$50.2 million, respectively, representing approximately 22.3%, 23.0%, 27.4% and 26.3% of our total revenue, respectively.

We have adopted a policy in managing our lease arrangements. Our Directors and senior management are responsible for negotiating with the landlords in relation to the renewal of the existing lease agreements before their respective expiry dates. When renewing the existing lease agreements in respect of our retail shops, we will consider various factors, including the customer flow, the revenue performance of the retail shop and the amount of rental increment. As at the Latest Practicable Date, we intended to renew all the existing lease agreements relating to our retail shops upon expiry. Our Directors confirm that, as at the Latest Practicable Date, we did not receive any indication from the landlords that any of the leases relating to our retail shops may not be renewed upon expiry of the existing lease agreements.



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As at the Latest Practicable Date, we did not own any property in connection with our business operations. The properties leased by us are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The terms of each lease agreement have been negotiated on an arm's length basis and on normal commercial terms. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all the Group's interests in land or buildings.

### LEGAL PROCEEDINGS

During the Track Record Period, save as disclosed in the paragraph headed "Intellectual properties" in this section, we were not involved in any litigation, arbitration or claim of material importance. Our Directors confirm that, as at the Latest Practicable Date, we had not been involved in any litigation, arbitration or claim, actual pending or threatened by or against us, that would have a material adverse effect on our business, results of operations or financial condition.

### LEGAL AND REGULATORY MATTERS

As confirmed by our Directors, during the Track Record Period, we have (i) obtained all applicable licenses, permits or certificates necessary to conduct our business in Hong Kong; and (ii) complied with all relevant laws and regulations of Hong Kong and the terms and conditions set out in the relevant approvals or licenses granted to us by governmental authorities in all material aspects save and except for the non-compliance incidents set out in the paragraph headed "Legal non-compliance" in this section.

In relation to the recently enacted Competition Ordinance, we obtained an opinion from the Legal Counsel as to its applicability with respect to our Group's business operations.

The Legal Counsel, having considered the three-pillar approach under the Competition Ordinance, namely the First Conduct Rule, the Second Conduct Rule and the Merger Rule, has opined that our Group's operations would not be regarded as anti-competitive or otherwise prevent, restrict or distort competition in Hong Kong:

#### **(1) First Conduct Rule**

The First Conduct Rule prevents an undertaking from, among other things, making or giving an effect to an agreement, or engaging in a concerted practice which would have the object or effect of preventing, restricting or distorting competition in Hong Kong.

Given that (i) our Group generally enters into individual purchase orders with our suppliers for our products in Hong Kong and that we do not enter into long term agreements that have an anti-competitive object or effect with our suppliers; and (ii) our Group has not engaged in any concerted practice to prevent, restrict or distort competition in Hong Kong, the Legal Counsel has opined that our Group's operations do not breach the First Conduct Rule.

**(2) Second Conduct Rule**

The Second Conduct Rule prevents an undertaking that has a substantial degree of market power in a market from abusing that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

In view of the Company's market share of approximately 27.2% in the overseas manufactured tile retailing market and 17.2% in the overall tile retailing market in Hong Kong in 2017, the Legal Counsel has opined that we are likely to have a substantial degree of market power in the overseas manufactured tile retailing industry. The issue is therefore whether our Group is abusing that substantial degree of market power ("**Abusive Conduct**"). Examples of Abusive Conduct include: (i) predatory pricing; (ii) tying and bundling; (iii) margin squeezing conduct; (iv) refusals to deal; and (v) exclusive dealing.

*Exclusive dealing*

With regard to exclusive dealing, the Second Conduct Rule provides that arrangements which lock up most of the efficient input suppliers in the market which lead to competitors being unable to secure inputs from alternative suppliers could amount to abuse.

Our Group operates in a highly competitive and fragmented industry. From the customers' perspective, if our Group materially increases/increased the price of the fifteen brands (or thirteen brands as at the Latest Practicable Date) of tiles which we have/had obtained exclusive distribution rights for (out of over 60 brands of tiles which our Group carried as at the Latest Practicable Date), it would be easy (and highly likely) for the customers to purchase other brands of a similar quality and style given the wide choice of different brands in the market.

According to Ipsos, there are more than 1,000 brands of overseas manufactured tiles and only approximately 100 brands are imported to Hong Kong. Our competitors can easily secure inputs from alternatives suppliers for brands which we have no exclusive distribution rights for or those which have not been imported to Hong Kong. As such, from our competitors' perspective, since our Group has/had acquired exclusive distribution rights for fifteen brands (or thirteen brands as at the Latest Practicable Date) of tile products from our suppliers, our competitors can easily procure a wide range of other brands of tiles of similar quality and style from other suppliers. Further, we would not be able to lock up most of the efficient input suppliers in the market through exclusive distribution rights given there are more than 1,000 brands of overseas manufactured tiles in the market. The revenue we generated from the brands of tile products which we have/had exclusive distribution rights for the four years ended 31 March 2018 of approximately HK\$9.6 million, HK\$90.7 million, HK\$70.7 million and HK\$66.6 million respectively represented approximately 2.4%, 22.8%, 17.7% and 12.7% respectively of the sales value of the overseas manufactured tiles retail industry in Hong Kong of approximately HK\$404.4 million, HK\$397.6 million, HK\$399.1 million and HK\$523.6 million for year 2014, 2015, 2016 and 2017 respectively.

Our Group has not adopted and is not adopting any abusive conduct to increase its market share in Hong Kong or cause any harm to the market by charging higher prices or reducing product quality on choice, and our competitors are not excluded from the market which would have limited the choices available to consumers.

In light of the foregoing and after being verbally advised by the Competition Commission that the Second Conduct Rule does not prevent sole agency arrangements (e.g. acquiring exclusive distribution rights for brands), the Legal Counsel is of the view that the entering into of the exclusive distribution agreements itself will not constitute Abusive Conduct.

***Expansion plan***

As advised by the Legal Counsel, the Second Conduct Rule does not prevent a company from gaining market power or increasing its profits by its power, and to be in breach of the Second Conduct Rule, the offender must have engaged in Abusive Conduct. Although our Group's proposed expansion plan of opening seven additional shops in Hong Kong by 31 March 2021 may have the effect of gaining market power or increasing its profits by its power, the Legal Counsel is of the opinion that on the basis that our Group does not engage in Abusive Conduct, such expansion plan will not be in breach of the Second Conduct Rule.

As such, the Legal Counsel has opined that our Group's operations do not breach the Second Conduct Rule.

**(3) Merger Rule**

As the Merger Rule currently only applies to the telecommunications sector, the Legal Counsel has opined that the Merger Rule is not applicable to our Group as we are not engaged in the telecommunications industry.

In light of the above, our Directors consider that our operations are not in breach of the recently enacted Competition Ordinance, and that the Competition Ordinance has no material adverse impact on our Group's business.

We will implement the following measures to ensure that we will comply, and not engage in any Abusive Conduct, with the Competition Ordinance when executing our expansion plan:

1. we will implement internal guidelines to govern the opening of new retail shops and entering into of exclusive distribution agreements;
2. all proposals to open new retail shops and to enter into exclusive distribution agreements will be reviewed and approved by our executive Directors;
3. we will provide training materials to all relevant staff in relation to the Competition Ordinance (including but not limited to the guidelines published by the Competition Commission) detailing what conducts are in breach of the Competition Ordinance and in particular, what constitutes Abusive Conduct; and
4. we will consult with our external legal advisers when we negotiate our exclusive distribution agreements with our suppliers if there are provisions which we believe are not in compliance with the Competition Ordinance.

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### LEGAL NON-COMPLIANCE

We set out below our non-compliance incidents with applicable laws and regulations during the Track Record Period:

#### 1. Non-compliance with government lease and permitted usages

##### *Background*

During the Track Record Period, we occupied and used eight premises in Yuen Long, New Territories with an aggregate of approximately 50,000 sq.ft. to 60,000 sq.ft. (the “**Premises**”) as our storage facilities for storing a majority of our tile products and bathroom fixtures. The table below sets out details of the eight Premises including their respective latest effective lease terms, all of which had been expired and no longer renewed by us upon their expiry:

Properties	The latest lease term	Description of land lot under the government lease	Permitted usage under OZP	Usage by our Group
Premises A (Parts of Land lots 1302 and 1303 in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi and Dry Cultivation	Residential	Storage of tiles and bathroom fixtures
Premises B (Parts of Land lot 1298 in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi	Residential	Storage of tiles and bathroom fixtures
Premises C (Parts of Land lots 1298 and 1302 in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi	Residential	Storage of tiles and bathroom fixtures

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Properties	The latest lease term	Description of land lot under the government lease	Permitted usage under OZP	Usage by our Group
Premises D (Land lot 774A in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi and Dry Cultivation	Undetermined	Storage of tiles and bathroom fixtures
Premises E (Land lot 774B in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi and Dry Cultivation	Undetermined	Storage of tiles and bathroom fixtures
Premises F (Land lot 774C1 in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi and Dry Cultivation	Undetermined	Storage of tiles and bathroom fixtures
Premises G (Land lot 784C in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	1 April 2015 to 31 March 2016	Padi	Undetermined	Storage of tiles and bathroom fixtures
Premises H (Land lots 697 and 698 in Demarcation District 119, Pak Sha Tsuen, Yuen Long, New Territories)	15 August 2014 to 14 August 2016 (early terminated by December 2015)	Dry Cultivation	Green Belt	Storage of tiles and bathroom fixtures

Having taken legal advice from the Legal Counsel, we believe that our previous use of the Premises for warehousing constituted breaches of (i) the government lease; (ii) permitted usage under OZP; and (iii) section 21 and section 23 of the Town Planning Ordinance.

***Cause of non-compliance***

As our Directors did not seek any legal advice for the leasing arrangements in respect of the Premises during the material time, we failed to realise the legal risks associated with occupying the Premises. At the relevant time, the warehouse manager of our general administration department was responsible for the leasing arrangements of our storage facilities including assessing our Group's need for expanding storage facilities, liaising with the relevant landlord for new lease and renewal, and executing the leasing arrangements. The warehouse manager reported to the then management of RBMS HK. Our Directors confirm that the breaches occurred solely due to the lack of professional advice at the material time and were not wilful. The breaches were only identified and made known to our Directors during the course of preparing the Listing application.

***Legal consequences to and maximum legal liabilities of our Group and our Directors***

As advised by the Legal Counsel, the possible legal consequences are as follows:

- (i) Re-entry by the Lands Department of Hong Kong — as a result of the breach of the government lease and permitted usage under OZP, the Lands Department of Hong Kong is entitled to request the land lot owners to cease the breach. The Lands Department, with its vesting power, is entitled to enforce the lease conditions by issuing warning letters to the land lot owners to rectify the breach at a specific period of time. If the land lot owner fails to rectify by the deadline, the Lands Department may enforce a right of re-entry upon the Premises. The government may bring legal proceedings against the land lot owners to take possession of the land lots. Summons will be taken out and served on the land lot owners in relation to the re-entry;
- (ii) Liabilities under section 21 of the Town Planning Ordinance — pursuant to section 21(1) of the Town Planning Ordinance, while a plan of a development permission area is effective, no person shall undertake or continue development in the development permission area unless (a) the development is an existing use; (b) the development is permitted under the plan of the development permission area; or (c) permission to do so has been granted under section 16 of the Town Planning Ordinance. Pursuant to section 21(2) of the Town Planning Ordinance, the maximum penalty is a fine of HK\$500,000 in the first conviction;
- (iii) Liabilities under section 23 of the Town Planning Ordinance — pursuant to section 23(1) and section 23(3) of the Town Planning Ordinance, the Planning Department of Hong Kong may issue a warning notice to the land lot owner, occupier and/or person responsible for the unauthorised development requiring the unauthorised development be discontinued by a specific date or to reinstate the land. Any person, who fails to comply with the warning notice, is subject to a maximum fine of HK\$500,000 in the first conviction and a fine of HK\$50,000 for each day continues to fail to so comply.
- (iv) Liabilities under common law — the land lot owners are entitled to early determine the lease agreements.

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According to the records in the Land Registry of Hong Kong, the Lands Department of Hong Kong has registered a warning letter against the respective landlords of Premises D, E and F, the Planning Department has registered enforcement notices against the respective landlords of Premises A, B and C, and the Lands Department of Hong Kong and the Building Authority of Hong Kong have respectively served a warning letter and an order against one of the landlords of Premises H. As at the Latest Practicable Date, our Group as the then occupier has not received any notice, letter or order from the relevant government authorities in relation to the non-compliant usage.

Regarding the potential liability of our Group as the then occupier, as advised by the Legal Counsel, as our Group has not received any prior warning notices from the Planning Department, it is remote that we will be prosecuted under section 21 of the Town Planning Ordinance for using the leased properties.

With regards to the prosecution under section 23 of the Town Planning Ordinance, as confirmed by our Directors, as at the Latest Practicable Date, no notice in relation to the Premises had been addressed to and received by our Group. The Legal Counsel is of the view that it is remote that our Group will be prosecuted under section 23 of the Town Planning Ordinance.

As further advised by the Legal Counsel, since the lease agreements of the Premises have lapsed, it is remote for the Planning Department to bring legal actions against the land owners and/or us for the past non-compliances.

Please refer to the section headed “Risk Factors — The Premises we leased during the Track Record Period were not in compliance with the permitted usage of the government leases, OZP and/or the Town Planning Ordinance that may lead us to legal actions” in this prospectus for potential risks we may suffer as a result of the non-compliances and relocation.

### ***Remedial/Rectification actions taken and updated status***

As soon as we became aware of the legal risks associated with the Premises, our Directors decided to terminate the lease agreements in respect of the Premises and to carry out remedial plan to relocate all our storage facilities to premises with the permitted usage for storage of our tiles and bathroom fixtures.

As a contingency plan, on 29 December 2015, we entered into a licence (“**Licence**”) with an Independent Third Party for the storage facilities at G/F Phase I, Modern Terminals Warehouse Building, Berth One, Kwai Chung, New Territories (the “**Licensed Premises**”) with the relevant permitted usage for a term from 29 December 2015 to 31 December 2016. Pursuant to the Licence, we were entitled to an exclusive use of up to 54,000 sq. ft. of storage space at the Licensed Premises at the monthly rental of HK\$14.9 per sq.ft. for storing our tiles and bathroom fixtures. The Licence specified that the rental payable by us under the Licence was to be calculated according to the actual space we occupied in such month. Given the expiry of the respective leases of the Premises on 31 March 2016, we carried out a relocation plan in February 2016 to relocate all our then existing storage facilities from the Premises to the Licensed Premises with a view to rectifying the non-compliant usage of the

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Premises in a timely manner. The storage facilities at the Licensed Premises were finally used by us until July 2016 when we further relocated our storage facilities to our existing warehouse rented from a related party as detailed below. The average monthly rental cost we incurred in respect of the Licensed Premises was approximately HK\$0.4 million, based on the actual space we occupied from March to July 2016, and was comparable with the monthly rental cost of approximately HK\$0.4 million in respect of the Premises immediately before the termination of the relevant leases.

Cyber Building Limited, a company owned by Mr. Tso and Ms. Tsui as to 50% each respectively, owns a piece of land in close proximity in the same district of the Premises. As advised by our Directors, Cyber Building Limited and owners of certain adjacent pieces of land, applied to the relevant government departments (as further described below) for the construction of a warehouse which is situated at the pieces of land owned by Cyber Building Limited and those adjacent land owners respectively (collectively the “**New Land**”). The government lease of the New Land categories the usage of the land as “Padi” and the permitted usage of the New Land under OZP is “Undetermined”, restricting the usage of the New Land in the same manner as the Premises.

As advised by the Legal Counsel, an owner who wishes to temporarily deviate from the designated land use shall apply to (i) the Town Planning Board for permission under section 16 of the Town Planning Ordinance; and (ii) the Lands Department for a short term waiver. If the Lands Department approves the application, it will issue a written notification to the applicant which stipulates the terms and conditions for the grant of the waiver. Upon the fulfilment of the terms and conditions at the satisfaction of the Lands Department, it will grant a waiver to the applicant. If the permission under section 16 of the Town Planning Ordinance from the Town Planning Board and the waiver from the Lands Department is granted, the owner could deviate from the designated and permitted usage under the government lease and the OZP.

Mr. Tso and those adjacent land owners had obtained the permission under section 16 of the Town Planning Ordinance from the Planning Department under the delegated authority of the Town Planning Board and obtained the short term waiver granted by the Lands Department to the registered owners of the New Land, i.e. Cyber Building Limited and the adjacent land owners. The term of permission is for a period of three years from 15 July 2016.

As at the Latest Practicable Date, construction of new storage premises on the New Land with a gross floor area of approximately 23,000 sq.ft. (“**New Premises**”) had been completed. Cyber Building Limited, as an owner of its piece of land and lessee of adjacent pieces of land owned by other third parties, leased/subleased the New Land and the New Premises to us. In this regard, we entered into lease agreements with Cyber Building Limited for the lease of the New Land and the New Premises for use as our storage facilities since August 2016. Please refer to the subsection headed “Properties” for further details of the lease terms.



**2. Additional tax assessments and tax penalty for the years of assessment 2004/2005 to 2013/2014**

*Background*

In January 2011, RBMS HK was notified by the IRD that it had been selected for an audit for the year of assessment 2009/2010. The IRD did not specify the reason for the selection in its notice to RBMS HK. Subsequently, the IRD issued additional profits tax assessments in an aggregate amount of approximately HK\$8.4 million to RBMS HK relating to the years of assessment 2004/2005 to 2008/2009. The directors of RBMS HK believed that these assessments were protective assessments for the years of assessment 2004/2005 to 2008/2009 made by the IRD before the expiry of the statutory limitation period, pending the result of the audit. In the notifications, the IRD did not specify the calculation basis for arriving at the additional assessable profits or the additional tax amounts. The IRD had not issued any notifications of additional profits tax assessment for the years of assessment 2009/2010 and onwards.

As a private company with no internal tax expertise to handle the relevant tax matters at that time, RBMS HK adopted tax computation bases in the years of assessment 2004/2005 to 2013/2014 with which the IRD did not agree. The then auditors, a local accounting firm, which also acted as the tax representative of RBMS HK (the “**Then Auditors**”), on behalf of RBMS HK, lodged objections with the IRD against the additional assessments in 2011 on the basis that the additional assessments were merely estimates and incorrect, and submitted various information and supporting documents to address the enquiries raised by the IRD from time to time.

*Cause of non-compliance*

The non-compliance was due to the management’s primary focus on the commercial aspects and strategic expansion of our Group and hence failure to devote sufficient attention to the underlying tax requirements, and the inadequate understanding of the relevant tax regulatory requirements by our management and responsible staff for our profits tax filings matters at the material time, albeit the advice from the Then Auditors which also acted as the tax representative of RBMS HK. Such non-compliance did not involve intentional misconduct, fraud or dishonesty on the part of our Directors or senior management of our Group. At the relevant time, a designated staff of the then accounting team of RBMS HK was responsible for handling the filing of tax returns and the relevant tax matters including liaising with the Then Auditors, who reported to the then management of RBMS HK.

At the material time, Mr. Tso and Mr. Tam Chi Wai (the financial controller of our Group) were the then management of RBMS HK responsible for, among others, approving the tax matters. Mr. Tso, being the founder and a director of RBMS HK, was primarily focusing on business development, strategic expansion of the retail network of our Group, introduction of new products and expansion of product range on a regular basis. With years of experience in and an in-depth understanding of the tile industry in Hong Kong, Mr. Tso considered that the market for tile products is subject to changes in consumer preferences and market trends. In particular, as our Group has been specialising in the high-end to luxury tile market in Hong Kong and targeting customers with relatively high spending power and

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appreciation for aesthetic designs, Mr. Tso believed the business model of our Group is fashion-driven, whereby our products are particularly susceptible to and influenced by overseas interior design trends, and as such our products would become outdated when they no longer reflect the trend and style of the prevailing season. Without any formal training in accounting and tax aspects, Mr. Tso was of the view that inventories that (i) have been stocked for a period longer than the longest credit terms provided by our suppliers were slow moving inventories which would require additional administration costs such as warehouse costs; and (ii) have been taken off from display at the retail shops or no longer reflect the trend and style of the prevailing seasons were scrap or obsolete stocks which the management perceived to be less marketable. Mr. Tso considered that from a commercial perspective, provision should be made on such slow moving stocks or scrap/obsolete stocks and therefore delegated Mr. Tam Chi Wai to set up standardised house rules for making provision on inventories on such basis.

Mr. Tam, who joined RBMS HK as the accounting manager in 2006, was responsible for the overall accounting management of RBMS HK. Mr. Tam and the then accounting team of RBMS HK were responsible for the preparation of the accounting statements for the Then Auditors to review. They were also responsible for providing all the necessary underlying information for the Then Auditors to perform their audit/tax work. At the material time, none of Mr. Tam and the members of the then accounting team possessed any professional accounting qualification or had received any proper tax training, and none of them were well versed with the Hong Kong Financial Reporting Standards or the tax compliance requirements.

Based on (i) the need to maintain RBMS HK's position in the industry by constantly offering a large variety of tile products in different brands to its customers; (ii) the desire to keep up with and reflect international market trends; and (iii) the perception of the inventory trend with reference to the best available information at the time when inventory provision estimates were made, the then management of RBMS HK intended to adopt a set of standardised inventory provisioning policy for inventory management. Having consulted with the Then Auditors, Mr. Tam Chi Wai came up with and Mr. Tso agreed the estimations on inventory provisions pursuant to which general provisions were made on slow moving inventories by applying certain percentages on the period end balance of inventories in respective age groups, and full provisions were made on certain inventories which were specifically identified as scrap and obsolete stocks. As the said inventory provisions were made regardless of whether there were any subsequent sales or the net realisable value of the respective inventories were above their respective costs, the estimation basis of the inventory provisions made in the audited statutory financial statements of RBMS HK was therefore not in accordance with HKAS 2 prior to the engagement of the reporting accountants in the financial year 2014/2015.

At the material time, the tax computations and filings were performed by the Then Auditors after they had carried out the audit work and upon making various audit adjustments. Both Mr. Tso and Mr. Tam Chi Wai possessed very limited tax knowledge, hence they relied on the Then Auditors, who also acted as the then tax representatives of RBMS HK for the audit of the statutory accounts, the preparation of the relevant tax computations and tax advice at the material time, which the then management of RBMS HK

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considered typical for private companies with limited human resources. Having the primary focus placed on business operations and strategic expansion of our Group, the then management of RBMS HK had relied principally on the professional advice and knowledge of the Then Auditors on tax and accounting matters and failed to devote sufficient attention on the enhancement and improvement of the tax and accounting knowledge of the internal accounting team of our Group until the non-compliance incident occurred. As a result of such non-compliant incident, we have taken a series of actions to address and rectify the issue. Please refer to the paragraphs below for details of the remedial and rectification actions taken.

### *Remedial/Rectification actions taken and updated status*

With the aim of proactively resolving the tax dispute with the IRD, RBMS HK engaged a new external tax adviser (the “**Tax Dispute Representative**”), whom the directors of RBMS HK believed to be more competent and experienced, to replace the Then Auditors and represented RBMS HK for handling the tax dispute in August 2014.

In order to reach an early settlement with the IRD, Mr. Tso, together with the Tax Dispute Representative, had several meetings and discussions with the case officers of the IRD and understood that the IRD disagreed with the tax computation treatment RBMS HK adopted in the years of assessment 2004/2005 to 2013/2014 (the “**Disagreement**”). Settlement proposals were submitted to the IRD on a without prejudice basis with respect to the years of assessment 2004/2005 to 2013/2014.

### *Details of Final Settlement Proposal*

In the final settlement proposal, RBMS HK made adjustments on the assessable profits for the years of assessment 2004/2005 to 2013/2014 at the request of the IRD (the “**Final Settlement Proposal**”) that resulted in an additional profits tax charge of approximately HK\$10.1 million for the years of assessment 2004/2005 to 2013/2014 (the “**Additional Profits Tax**”) and a penalty of approximately HK\$10.6 million (the “**Tax Penalty**”). The reasons for and the amount of adjustments made include:

- (i) *General provision for aged inventories* — General provisions were made by RBMS HK on inventories by applying certain percentages on the period end balance of inventories in respective age groups because the management of RBMS HK considered that those aged inventories were slow moving and the costs of those aged inventories might not be recoverable. RBMS HK at the material time treated the general provisions on aged inventories as deductible expenses and recorded the general provisions on aged inventories in the cost of sales in the tax computations for the years of assessment 2004/2005 to 2010/2011. It was later confirmed by the IRD during the discussions between the Tax Dispute Representative and the IRD after its tax review that such general provisions on aged inventories should not be deductible in the tax computation and hence such tax treatment of the general provisions on aged inventories for the years of assessment 2004/2005 to 2010/2011 were not compliant with the relevant taxation rules and regulations. RBMS HK had accordingly made the adjustment to increase the assessable profits in the Final Settlement Proposal by using revised gross

profit ratios for the years of assessment 2004/2005 to 2010/2011 (which were generally above 50%, a mutually agreed — threshold between the IRD and RBMS HK) of an aggregate amount of approximately HK\$36.4 million. Since RBMS HK had already treated the inventory general provisions as non-deductible expenses which were added back in the tax computation in its tax returns for the years of assessment 2011/2012 and onwards, there were no adjustment required to be made due to inventory general provisions on the final assessable profits for the years of assessment 2011/2012 and onwards in the Final Settlement Proposal as agreed with the IRD;

- (ii) *Inventories identified as scrap and obsolete stocks* — Specific provisions were made by RBMS HK on certain inventories which were specifically identified as scrap or obsolete stocks. Contrary to the general provisions for aged inventories, RBMS HK made full provisions for scrap and obsolete inventories which the management of RBMS HK evaluated on individual basis and considered it to be unresaleable or unmarketable. In the year of assessment 2007/2008, RBMS HK considered that certain display items in an amount of approximately HK\$1.4 million might not be resaleable, and hence, such inventories were identified as scrap.

Following the IRD's review and subsequent enquiries made by the Then Auditors to the IRD to seek for clarification and further guidance on provisions for inventories, the Then Auditors during the preparation of the tax return of RBMS HK for the year of assessment 2013/2014 obtained the understanding from the IRD that expenses attributable to inventories identified as scrap might be considered as deductible in assessing the taxable profits if detailed documents for identified scraps are provided. With such understanding, RBMS HK identified inventories in the amount of approximately HK\$18.0 million, which were aged over one year, as scraps in the financial statement of RBMS HK for the year ended 31 March 2014. Accordingly, RBMS HK had made full provisions for those scraps or obsolete stocks specifically identified in the respective years of assessment.

The inventories identified as scrap or obsolete stocks in the approximately amount of HK\$1.4 million and HK\$18.0 million were treated as deductible expenses in the tax computations for the year of assessment 2007/2008 and 2013/2014, respectively. It was however considered by the IRD during the negotiations between the IRD and the Tax Dispute Representative on the Final Settlement Proposal that the documentary evidence to substantiate such tax deduction claims provided were not sufficient and hence that such expenses should not be deductible. RBMS HK had accordingly made the adjustment to increase the assessable profits in the Final Settlement Proposal by disallowing tax deduction claimed on inventories identified as scraps and obsolete stocks of an amount of (i) approximately HK\$1.4 million for the year of assessment 2007/2008; and (ii) approximately HK\$18.0 million for the year of assessment 2013/2014;

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- (iii) RBMS HK at the material times borrowed certain interest bearing bank loans (“**Bank Borrowings**”) which were then lent to companies controlled by Mr. Tso interest-free (“**Related Companies Loans**”) for the purpose of their property investment businesses. RBMS HK incurred interest expenses on the Bank Borrowings and included such interest expenses in the tax computation as tax deductible expenses. Those interest expenses were not included in the tax computation of the relevant related companies as deductible expenses. The IRD however considered that the Related Companies Loans were non-income producing assets as neither the provision of the Related Companies Loans was within the scope of the ordinary business of RBMS HK, nor did the Related Companies Loans generate any income for RBMS HK. Accordingly, the Bank Borrowings’ interest expenses were disallowed by the IRD as tax deductible expenses. RBMS HK had accordingly adjusted the assessable profits by (i) disallowing interest expenses on non-income producing assets by adding an aggregate amount of approximately HK\$1.1 million for the years of assessment 2007/2008 to 2011/2012; and (ii) subtracting an aggregate amount of approximately HK\$0.2 million for the years of assessment 2012/2013 to 2013/2014; and
- (iv) as confirmed by the directors of RBMS HK, its customers often require tile products be cut into various shapes and sizes in order to fit into their design specifications. To satisfy such requirements by customers, RBMS HK engaged and sent its tile products to third party processing agents who provided such tile cutting services in the PRC during the years of assessment from 2004/2005 to 2009/2010. During the tile cutting process, certain parts of the tiles were inevitably wasted and cannot be re-used, or not used (“**Wasted Tiles**”), which were not transported back to Hong Kong in order to save the relevant transportation costs. Hence, this led to discrepancies between the records regarding the volume of tile products delivered by RBMS HK and the volume of the tile products sold by RBMS HK. As a result of the foregoing, the IRD perceived that RBMS HK might have engaged in the sale of its tile products in the PRC that were in excess of what was submitted in its tax returns of the years of assessment from 2004/2005 to 2009/2010 and requested that the sales figures be increased by 0.7% to reflect its estimated discrepancy between sales and inventory records for the relevant years of assessment. RBMS HK had accordingly made the adjustment by increasing the sales figures by 0.7% for the years of assessment from 2004/2005 to 2009/2010, which amounted to approximately HK\$2.7 million in aggregate. The IRD did not request such adjustment on the sales figures from the years of assessment 2010/2011 and onwards.

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### *Acceptance by IRD and Settlement*

The Final Settlement Proposal was submitted by the Tax Dispute Representative on 13 October 2015. We understood from the Tax Dispute Representative that the Final Settlement Proposal was approved by the responsible senior assessor of the IRD. Subsequently, the IRD issued assessment notices to RBMS HK for additional profits tax payable of approximately HK\$9.1 million on 8 December 2015 in aggregate together with previously issued protective profits tax assessments for a total profits tax charge of approximately HK\$1.0 million for the years of assessment from 2004/2005 to 2013/2014. The Additional Profits Tax, comprising additional profits tax assessments and protective profits tax assessments in the aggregate amount of approximately HK\$10.1 million, as agreed under the Final Settlement Proposal was treated as additional profits tax expenses incurred in the respective years of assessment 2004/2005 to 2013/2014. Accordingly, the Additional Profits Tax was recognised retrospectively during the respective years and had been included as follows:

	For the year ended 31 March										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additional profits											
tax provisions	440	597	1,061	2,274	1,679	1,085	(7)	(13)	(14)	2,952	10,054

In preparation of the settlement of the Additional Profits Tax, we purchased tax reserve certificates in the amount of approximately HK\$4.9 million and placed deposits of approximately HK\$2.7 million to the IRD. We have settled the additional profits tax payable of approximately HK\$9.1 million (having deducted the previous payments of an aggregate of approximately HK\$1.0 million paid by RBMS HK under protective assessments) in full by applying the tax reserve certificates in the amount of approximately HK\$4.9 million and the remainder by cash in January 2016.

Our Directors confirm that in the preparation of the accountants' report as set out in Appendix I to this prospectus, we have recognised the relevant additional profits tax expenses for the years of assessment 2004/2005 to 2013/2014 by adjusting the retained profits as at 1 April 2014. In addition, we have made a provision for the Tax Penalty in the amount of approximately HK\$10.6 million for the year ended 31 March 2016. Accordingly, the financial information of our Group for the three years ended 31 March 2017 incorporated in the accountants' report has properly and adequately recorded the impact of the tax liabilities and tax penalty incurred under the tax non-compliance according to the Final Settlement Proposal approved by the responsible senior assessor of the IRD. Out of the Tax Penalty in the amount of approximately HK\$10.6 million, we have settled, by cash, HK\$3.6 million in December 2015, HK\$3.6 million in January 2016 and the remainder in February 2016.

Due to the aforesaid settlement, the Legal Counsel is of the view that the breach of section 51(1) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) by RBMS HK and/or its directors have been fully settled with IRD, and prosecutions against them in relation to the offences are remote.

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### *Applicability to other subsidiaries*

Our Directors confirm that such tax computation treatment is not applicable to the other Hong Kong subsidiaries of our Company, namely Regent Building, Fortune Rich and Petracer's China, due to the different nature of their principal business activities. Regent Building and Fortune Rich are primarily responsible for the leasing arrangement for the operations of the Group and do not engage in the sales of tiles and bathroom fixtures. Hence, neither Regent Building nor Fortune Rich recorded any revenue in relation to sales of tiles and bathroom fixtures or any account balances/transactions giving rise to the disputed tax treatments in their respective accounts during the Track Record Period. In relation to Petracer's China, it is only engaged in the indent trading of tiles and bathroom fixtures of certain brands to the distributors in the PRC where Petracer's China will only place back-to-back purchase orders with RBMS HK upon receipt of orders from its customers. According to the audited financial statements of Petracer's China for the period from its incorporation on 10 November 2014 to 31 March 2016 and that for the year ended 31 March 2017, as well as the unaudited accounts of Petracer's China for the year ended 31 March 2018, Petracer's China did not record any account balances/transactions giving rise to the disputed tax treatments during such period and there was no inventory balance as at 31 March 2016, 2017 and 2018. Therefore, the disputed tax treatments are not applicable to such Hong Kong subsidiaries of our Company. Our Directors further confirm that there was no underprovision of profits tax by the other Hong Kong subsidiaries of our Company and accordingly, no reporting of under-payment of profits tax to the IRD or making of adequate provisions in the accounts of such Hong Kong subsidiaries of our Company are required. The Sponsor concurs with our Director's view that the disputed tax treatments of RBMS HK were not applicable to the other subsidiaries of our Company.

### *Legal consequences to and maximum potential legal liabilities of our Group and our Directors*

In connection with the abovementioned incorrect tax return filed with the IRD, RBMS HK and each of its then directors, namely Mr. Tso and Ms. Tsui are in breach of section 51(1) of the Inland Revenue Ordinance. Accordingly, each of RBMS HK and its then directors may be subject to punitive actions under sections 80, 82 and 82A of the Inland Revenue Ordinance. The IRD may prosecute RBMS HK and its then directors under section 80 of the Inland Revenue Ordinance if the IRD considers that RBMS HK and its then directors made an incorrect return without reasonable excuse, and/or under section 82 of the Inland Revenue Ordinance if the IRD considers that RBMS HK and its then directors willfully with intent evaded tax or assisted another person to evade tax by engaging various activities including filing false statement or signing any statement without reasonable grounds for believing it to be true. If the IRD does not prosecute RBMS HK under section 80 and/or section 82 of the Inland Revenue Ordinance, it may impose additional tax on RBMS HK as a penalty under section 82A of the Inland Revenue Ordinance.

*Prosecution under section 80 of the Inland Revenue Ordinance*

Pursuant to section 80(1) of the Inland Revenue Ordinance, any person who without reasonable excuse fails to comply with the requirements of a notice given to him under section 51(3), 51A(1), 52(1) or (2), or 64(2) thereof commits an offence and is liable on conviction to a fine at level 3, being HK\$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do.

Pursuant to section 80(2) of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the IRD on or payable by RBMS HK and/or its then directors in relation to the submission of incorrect return, statement and/or information to the IRD without reasonable excuses is a fine at level 3, being HK\$10,000, plus treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) or (2A) of the Inland Revenue Ordinance or a failure to comply with section 51(2) of the Inland Revenue Ordinance, or which would have been undercharged if such failure had not been detected.

*Prosecution under section 82 of the Inland Revenue Ordinance*

Pursuant to section 82 of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the IRD on or payable by RBMS HK and/or its then directors in relation to the incorrect return, statement or information is:

- on summary conviction, a fine at level 3, being HK\$10,000 plus treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected, and to imprisonment for six months; or
- on indictment, the penalty is a fine at level 5, being HK\$50,000, plus treble the amount of tax so undercharged or which would have been so undercharged, and to imprisonment for three years.

*Prosecution under section 82A of the Inland Revenue Ordinance*

Pursuant to section 82A of the Inland Revenue Ordinance, the maximum penalty which may be imposed by the IRD on or payable by RBMS HK and/or its then directors in relation to the incorrect return, statement or information is treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct, or which has been undercharged in consequence of the failure to comply with a notice under section 51(1) or (2A) of the Inland Revenue Ordinance or a failure to comply with section 51(2) of the Inland Revenue Ordinance, or which would have been undercharged if such failure had not been detected.



***Penalty laid down under section 80 of the Inland Revenue Ordinance***

The IRD issued the penalty notices to RBMS HK on 23 March 2016 (the “**Penalty Notices**”) holding RBMS HK liable in respect of offences (i) under section 80(1)(A) of the Inland Revenue Ordinance by failing to comply with the requirements of section 51C of the Inland Revenue Ordinance to keep sufficient records of income and expenditure to enable its assessable profits to be readily ascertained; and (ii) under section 80(2) of the Inland Revenue Ordinance by making incorrect tax returns, for the years of assessment 2008/2009, 2009/2010 and 2013/2014. Pursuant to the Penalty Notices, RBMS HK was penalised with an aggregate fine of approximately HK\$10.6 million under section 80(1A) and section 80(2) of the Inland Revenue Ordinance, and upon the settlement of which, no proceedings would be commenced against RBMS HK under section 80(1A) and section 80(2) of the Inland Revenue Ordinance. The Penalty Notices accounted for the agreed penalty set out in the Final Settlement Proposal.

***Possibility of Prosecution under section 80, 82 and/or 82A of the Inland Revenue Ordinance***

*Section 80(1) of the Inland Revenue Ordinance*

As RBMS HK has fully cooperated with the IRD in the tax review with the assistance of the Tax Dispute Representative, the Legal Counsel is of the view that RBMS HK and/or its directors have complied with sections 51(3) and 51(4) of the Inland Revenue Ordinance. No offence under section 80(1) of the Inland Revenue Ordinance has been committed.

*Section 80(2) of the Inland Revenue Ordinance*

Pursuant to the Penalty Notices, the IRD considered that RBMS HK had, without reasonable excuse, committed offences under section 80(2) of the Inland Revenue Ordinance by making incorrect tax returns for the years of assessment 2008/2009, 2009/2010 and 2013/2014. Therefore, RBMS HK and its directors are subject to be imposed a maximum penalty at a fine at level 3 (i.e. HK\$10,000) together with treble the amount of tax which has been undercharged as a result of the incorrect return.

As advised by the Legal Counsel after reviewing the decision of the IRD, RBMS HK had a reasonable excuse when providing incorrect tax return to the IRD as RBMS HK relied upon professional advice from its then tax representative on the technical matters. Even with a reasonable excuse, RBMS HK accepted settlement terms agreed with the IRD in the Final Settlement Proposal with an agreed penalty of approximately HK\$10.6 million and settled the additional assessment and the Tax Penalty in a timely manner with an aim of resolving the dispute with the IRD. Based on the above, the Legal Counsel is of the view that prosecution against RBMS HK and/or its directors is remote. If RBMS HK and/or its directors were being prosecuted, the likely penalty if imposed shall be far below the maximum penalty. The Legal Counsel further opined that it is very unlikely that a fine will be imposed on the then directors as the breach was not deliberate, there was no intent to evade tax and RBMS HK has fully cooperated with the IRD during the tax review.

*Section 82 of the Inland Revenue Ordinance*

In light of the Penalty Notices where the IRD confirmed that it will not commence proceedings against RBMS HK if the Tax Penalty was fully settled, the Legal Counsel is of the view that RBMS HK and its directors being prosecuted under section 82 of the Inland Revenue Ordinance is remote. In particular, the fact that the IRD levied a fine on RBMS HK for breach of section 80 of the Inland Revenue Ordinance, but not section 82 of the Inland Revenue Ordinance, evidently concludes that the IRD did not consider RBMS HK and its then directors willfully with intent evaded tax or assisted another person to evade tax by engaging in tax-evasion or tax-avoidant activities.

*Section 82A of the Inland Revenue Ordinance*

As advised by the Legal Counsel, most prosecutions are brought under section 80 of the Inland Revenue Ordinance, with only those serious and higher profile brought under section 82 of the Inland Revenue Ordinance. Further, as the IRD confirmed in the Penalty Notices that it will not commence proceedings against RBMS HK if the Tax Penalty was fully settled, and that RBMS HK has settled with the IRD an additional assessment; and an additional profit tax provision has been agreed and paid by RBMS HK, prosecution against RBMS HK and/or its directors is remote. In view of the mitigation factors, that RBMS HK took the initiative to settle the tax assessment dispute with the IRD proactively, the Legal Counsel further considers that the Commissioner of Inland Revenue is more inclined to levy an administrative penalty by way of an assessment to additional tax under section 82A of the Inland Revenue Ordinance rather than institute criminal proceedings under section 82 of the Inland Revenue Ordinance in accordance with the general practice of the IRD.

The Legal Counsel further opined that if RBMS HK and/or its directors were being prosecuted, the likely penalty that may be imposed on RBMS HK would be far below the maximum penalty, and it is very unlikely that a fine will be imposed on the then directors as the breach was not deliberate, there was no intent to evade tax and RBMS HK has fully cooperated with the IRD during the tax review.

**Internal control measures to prevent the recurrence of non-compliance incidents**

We have implemented/will implement the following measures to prevent the recurrence of non-compliance incidents:

1. we have engaged an internal control consultant, an Independent Third Party to perform internal control reviews in connection with our internal control policies and the internal control consultant has recommended a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters, for our adoption;
2. we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections;
3. we believe we maintain adequate insurance coverage for our operations and that the scope of the coverage is in line with industry norm;

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4. Mr. Chan Cheung, our joint company secretary, will oversee our corporate matters in order to ensure our compliance with the relevant laws and regulations on corporate matters;
5. we have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules;
6. to ensure our on-going compliance with applicable laws and regulations, we will retain Hong Kong legal advisers to provide our Directors and senior management legal training on a regular basis on the legal and regulatory requirements applicable to us in Hong Kong and to our operations;
7. to ensure compliance with government leases and other applicable laws and regulations regarding land leases, we will:
  - (i) ensure all lease agreements are reviewed by our executive Directors, our joint company secretaries and our finance and accounting department;
  - (ii) consult external legal advisers before entering into any subsequent lease agreements, if necessary; and
  - (iii) conduct searches on permitted usage of properties before entering into any subsequent lease agreements;
8. to prevent recurrence of the tax non-compliance incident:
  - (i) we have engaged and intend to continue to engage the Tax Dispute Representative as the tax adviser of RBMS HK for preparing its profits tax computations and filing of its profits tax returns;
  - (ii) we have, since March 2016, engaged and intend to continue to engage an international accounting firm as the tax representative of Regent Building, Fortune Rich and Petracer's China for assisting on the tax returns submission process and handling the correspondence between such companies and the IRD (if any) as well as providing training on general tax filing requirements and common tax issues from a tax perspective to our staff;
  - (iii) we have adopted and will continue to adopt the tax computation treatment agreed with the IRD in the preparation of the tax computation of RBMS HK for the years of assessment 2014/2015 and onwards, and will calculate our assessable profits for and after the assessment year 2014/2015 on basis acceptable to the IRD;
  - (iv) we intend to engage Deloitte Touche Tohmatsu as our auditor, who will undertake independent audit on our financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, upon the Listing;

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- (v) before the filing of any tax return, it will be reviewed and approved by our joint company secretary, Mr. Chan Cheung, who is a member of the Hong Kong Institute of Certified Public Accountants with over 25 years of experience in banking, accounting, financial management and company secretarial matters. Please refer to the section headed “Directors and Senior Management” in this prospectus for more details of the experience and qualifications of Mr. Chan Cheung. Prior to the appointment of Mr. Chan Cheung, the aforesaid responsibilities were assumed by our former company secretaries who also had competent professional accounting qualifications, since July 2015;
  - (vi) a training on tax issues and tax filings was provided to our accounting staff on 15 March 2016 and our management team will arrange regular training on tax issues and tax filings to our accounting staff from time to time;
  - (vii) our joint company secretary, Mr. Chan Cheung will be responsible for handling any tax queries from the IRD. Prior to the appointment of Mr. Chan Cheung, the aforesaid responsibilities were assumed by our former company secretaries who also had competent professional accounting qualifications, since July 2015. Depending on the complexity of the issues or the queries, we will seek advice from the Tax Dispute Representative, and when required, on tax related matters; and
  - (viii) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.
9. to enhance our corporate governance practice, we will set up a corporate governance committee, the primary duties of which are set out in the section headed “Directors and senior management — Board committee — Corporate governance committee” in this prospectus.

### **Indemnity by our Controlling Shareholders to our Company for any loss on the above non-compliance incidents**

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Company against all losses, liabilities or damages (including but not limited to the relocation costs) suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the abovementioned non-compliances, save for the Additional Profits Tax and the Tax Penalty which were settled by internally-generated funds and bank borrowings of our Group.

As our Controlling Shareholders have undertaken to indemnify us against all losses, liabilities or damages suffered by our Group in connection with the non-compliance incidents occurred on or before the date when the Share Offer becomes unconditional (excluding the Additional Profits Tax and the Tax Penalty), our Directors consider that the abovementioned non-compliance incidents will not have any material impact on our Group’s business, operations and financial position. Please refer to the section headed “Statutory and General Information — D. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus for further details of the Deed of Indemnity.

### **Views of our Directors and the Sponsor**

In relation to the non-compliance incidents in respect of the Premises, as at the Latest Practicable Date, there had not been any prosecution initiated against our Group or our then or current Directors, nor had any of them been subject to any re-entry notice or fine relating to the above non-compliances. Based on the opinions of the Legal Counsel, prosecution and/or claim under such circumstances is remote, and no provision for fines has been made by our Directors in our Group's financial statements. In addition, our Group does not rely on the Premises to generate profits and any alternative premises with reasonable size can be used as storage facilities of our Group. As at the Latest Practicable Date, we had relocated our storage facilities to the New Premises which we have entered into lease agreements with the landlord/lessor thereof in August 2016. For details, please refer to the paragraph headed "Legal non-compliance — 1. Non-compliance with government leases and permitted usages" in this section.

In relation to the non-compliance incidents in respect of tax computation, our Directors are of the view that the non-compliance incidents were caused by the management's primary focus on the commercial aspects and strategic expansion of our Group and hence failure to devote sufficient attention to the underlying tax requirements, and the inadequate understanding of the relevant tax regulatory requirements by our management and the responsible staff. Our Group has already taken all necessary steps to rectify such non-compliances, including settling the additional tax assessed by the IRD and adopting appropriate measures to avoid the recurrence of a similar incident.

In light of the above, save for the impact of the Tax Penalty on the financial position and financial results for the year ended 31 March 2016, our Directors are of the view that the non-compliance incidents shall not have any material impact on the operations or financial position of our Group.

The Sponsor, after considering (i) the aforementioned view of the Legal Counsel that RBMS HK and its directors being prosecuted under section 82 of the Inland Revenue Ordinance in relation to tax evasion is remote; and (ii) the opinion of an international accounting firm that the tax non-compliance did not constitute any tax evasion by RBMS HK or its management, is of the view that the tax non-compliance was not an act of tax evasion.

Our Directors are also of the view that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules and that the various internal control measures adopted by us are adequate and effective under the Listing Rules having taken into account the fact that (i) we had adopted the abovementioned internal control measures to avoid recurrence of the non-compliance incidents; (ii) no additional material non-compliance incidents have taken place since the measures were adopted; and (iii) the above non-compliance incidents were unintentional, did not involve any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the various internal control measures adopted by us are adequate and effective; (ii) our executive Directors have the standard of integrity and competence commensurate with positions as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; and (iii) the abovementioned non-compliance matters would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

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### RISK MANAGEMENT

Our Directors confirm that during the ordinary course of our business, we are primarily exposed to (i) control risks relating to our overall monitoring system; (ii) regulatory risks in relation to our business; (iii) operational risk; (iv) credit risks relating to our trade receivables; and (v) market risks relating to changes in macroeconomic environment.

The following sets out the key risks for our business and the mitigating internal control procedures thereof:

#### **Risk control**

We have identified certain risks that require management, including inappropriate practices and failure to detect unethical behaviours, wrongdoings or potential frauds. In order to control such risks, we have endorsed staff handbook and company policies which require all our Directors and employees to observe.

#### **Regulatory risk management**

Upon Listing, we may be exposed to the risks of non-compliance with the Listing Rules. We have assigned designated personnel to update the context of company policies at least annually and to distribute to all responsible Directors and employees new amendments of the Listing Rules. We have appointed Ample Capital Limited as compliance adviser to advise us on compliance issues. Our responsible Directors and employees will be required to attend training to refresh their understanding of staff handbook and Company policies at least annually. We will also retain a legal advisor to advise us on compliance matters with applicable Hong Kong laws and regulations.

#### **Operational risk management**

Our executive Directors and senior management are responsible for maintaining the operation and assessing the operational risks of our retail and non-retail operations. They are responsible for implementing our internal policies and procedures. We emphasize on ethical value and prevention of fraud and bribery. We have established a whistleblower program, which will allow and facilitate communication among departments and business units to report any irregularities. Among others, in order to prevent bribery of third parties (such as the staff of design companies) for the purpose of introducing customers to the Group, (i) our accounting staff will check for any payment not incurred in the ordinary course of sales transactions such as payments made to parties with unidentified or suspected capacities; (ii) we have designated administrative staff to perform relevant checking and reporting of their findings on sales transactions when it comes to our awareness that there is abnormal involvement of third parties in the relevant sales transactions, such as price negotiation on behalf of customers while the customers have not authorized so; (iii) we will engage our legal advisers or other legal practitioners to provide training to all relevant staff and senior management in relation to proper operational conducts in the view of getting rid of any possible bribery behaviors; and (iv) our whistleblowing policies will include our Corporate Governance Committee, which comprises a member, namely Mr. Sincere Wong with legal background, as one of the reporting channels for our staff's direct reporting of any suspected misconducts or irregularities.

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### Credit risk management

We are exposed to credit risk which may cause financial loss to our Group if our customers failed to discharge their obligations. In order to minimize the credit risk, our customers are generally required to settle payment on a stage by stage basis after we have confirmed the customer orders. Generally, we do not grant any credit period to our retail customers. Credit period of 30 to 120 days will be granted to our non-retail customers with bulk purchases. Before accepting any new non-retail customer, we will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly.

In addition, we also take into account the length of business relationship, past reputation, financial strength and repayment history of our non-retail customers for monitoring the payments. Settlement is monitored by our management and our finance staff. For overdue balances, our executive Directors will be alerted and appropriate follow up action will be taken.

### Market risk management

We are exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as GDP, foreign currency exchange fluctuations, property market in Hong Kong and those cities in the PRC where our distributors operate, and other market changes. Our executive Directors are responsible for identifying and assessing potential market risks and from time to time formulating policies to mitigate these market risks.

On the managerial level, our executive Directors and senior management are responsible for the quality control measures and supervision of our operations in all aspects. For more information about our executive Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus.

### INTERNAL CONTROL

Our internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. In preparation of the Listing, we engaged an internal control adviser (the "**Internal Control Adviser**") in August 2015 as our independent external adviser to conduct an initial review of our financial procedures, systems and internal controls. Follow-up reviews were performed by the Internal Control Adviser in November 2015, August 2017 and January 2018.

The Internal Control Adviser provided recommendations for our management's consideration to enhance our internal control system, based on which we have adopted remedial measures to rectify our weaknesses in our internal control system, and to provide reasonable assurances for achieving objectives, including but not limited to, effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- **Internal audit:** internal audit functions will be outsourced to an independent professional party to evaluate and assess our internal control mechanism periodically. We have also established policies and procedures governing risk assessment and risk management.

## BUSINESS

- **Supplier selection and evaluation:** we have established policies and procedures governing supplier selection and evaluation, including but not limited to, the completing of new supplier evaluation forms which set out criteria for supplier selection and evaluation.
- **Distributorship arrangement:** we have adopted a standard form distributorship agreement setting out the obligations of our distributors, and will formally and legally bind our major distributors to the terms and conditions set out therein. All of our major distributors have entered into these distributorship agreements with us.
- **Competition:** as the Competition Ordinance has only recently come into force, our management team and staff will actively seek advice from our external advisers to clarify our potential liabilities, if and as required. Appropriate training sessions from our legal advisers will also be organised for our management team and our employees to enhance their awareness of the effect and consequences of breaching the Competition Ordinance, and to prevent and discourage any activities or conduct that would prevent, restrict or distort competition in Hong Kong. Our Directors believe that these policies and procedures could effectively ensure that we are in compliance with the relevant provisions of the Competition Ordinance.

As confirmed by our Directors, all the remedial measures will be fully implemented by us upon the Listing, and the Internal Control Adviser has accepted the remedial measures which we have adopted. We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.



## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### OVERVIEW

Immediately upon completion of the Capitalisation Issue and the Share Offer, Mr. Tso will, via RB Power, be beneficially interested in approximately 75% of the issued share capital of our Company taking no account of any Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme, and hence Mr. Tso and RB Power are our Controlling Shareholders.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

### NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with our business from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only of independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board fails to respond within such 30 days' period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/it will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

- (i) as at the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (ii) as at the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (iii) our Controlling Shareholders do not operate any business other than our business;
- (iv) as at the Latest Practicable Date, none of our Controlling Shareholders had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (v) as at the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers;
- (vi) although we will enter into certain continuing connected transactions for our Company after Listing, such transactions will be on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed “Connected Transactions” in this prospectus. We are also in possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently;
- (vii) we are financially independent from our Controlling Shareholders and their respective close associates as all loans, advances and balances due to our Controlling Shareholders and their respective close associates will be fully settled before Listing and all share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group’s borrowing will be fully released before Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders (including their respective close associates) after the Listing.

### CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Share Offer, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed to include a balanced composition of executive Directors and independent non-executive Directors in our Board. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in section headed "Directors and Senior Management — Board of Directors — Independent Non-executive Directors" in this prospectus; and
- (d) we have appointed Ample Capital Limited as our compliance adviser, which shall provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

## CONNECTED TRANSACTIONS

### OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive officer of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after Listing will constitute continuing connected transactions for our Company under 14A of the Listing Rules.

### **Continuing connected transactions which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements**

On 20 September 2018, our Company entered into a master tenancy agreement (the “**Master Tenancy Agreement**”) with Mr. Tso and Ms. Tsui, pursuant to which Mr. Tso and Ms. Tsui agreed to, through Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investments Limited (together referred to as the “**Landlords**”), lease the following premises to us:

Landlord	Location of property	Approximate area of property (square feet)	Term	2019 Annual Cap (HK\$)	2020 Annual Cap (HK\$)	2021 Annual Cap (HK\$)	Use of property	Name of shop
Cyber Building Limited	Lots 1256, 1258 and 1259 in DD119, Yuen Long, New Territories	23,000	20 September 2018–31 March 2021	3,960,000	3,960,000	3,960,000	Warehouse	N/A
Cyber Building Limited	G/F, 286 Portland Street, Mongkok, Kowloon	702	20 September 2018–31 March 2021	2,400,000	2,400,000	2,400,000	Retail	R&B
Fortune Goldman Limited	Shop 8, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong	715	20 September 2018–31 March 2021	2,520,000	2,520,000	2,520,000	Retail	La Maison
Fortune Goldman Limited	Shop A, G/F, Kam Koon Building, 308, 310 and 312 Lockhart Road, Wanchai, Hong Kong	824	20 September 2018–31 March 2021	2,400,000	2,400,000	2,400,000	Retail	My Habit
Happy Gear Limited	Shop 5, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong	1,033	20 September 2018–31 March 2021	2,520,000	2,520,000	2,520,000	Retail	LS3
Denmark Investments Limited	Shop B, G/F, 280 Portland Street, Mongkok, Kowloon	1,033	20 September 2018–31 March 2021	3,360,000	3,360,000	3,360,000	Retail	Dolce Vita

## CONNECTED TRANSACTIONS

Cyber Building Limited is owned as to 50% by Mr. Tso, one of our executive Directors and Controlling Shareholders, and 50% by Ms. Tsui, the spouse of Mr. Tso and one of our executive Directors. As such, Cyber Building Limited is an associate of Mr. Tso and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Tenancy Agreement entered into between our Company and Cyber Building Limited will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. For the years ended 31 March 2015, 2016, 2017 and 2018, our rental expenses paid to Cyber Building Limited by our Group (a) for the property located at G/F, 286 Portland Street, Mongkok, Kowloon, Hong Kong amounted to approximately HK\$2,400,000, HK\$2,400,000, HK\$2,400,000 and HK\$2,400,000, respectively; and (b) for the property located at lots 1256, 1258 and 1259 in DP119, Yuen Long, New Territories amounted to approximately nil, nil, HK\$2,640,000 and HK\$3,960,000, respectively. Under our lease arrangements currently in force, our rental payment to Cyber Building Limited for the year ending 31 March 2019 is estimated to be approximately HK\$6,360,000.

Fortune Goldman Limited is wholly owned by Get Lead Group Limited, which in turn is wholly-owned by Mr. Tso, one of our executive Directors and Controlling Shareholders. As such, Fortune Goldman Limited is an associate of Mr. Tso and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Master Tenancy Agreement entered into between our Company and Fortune Goldman Limited will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. For the years ended 31 March 2015, 2016, 2017 and 2018, our rental expenses paid to Fortune Goldman Limited by our Group (a) for the property located at Shop 8, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong amounted to approximately HK\$2,040,000, HK\$2,200,000, HK\$2,520,000 and HK\$2,520,000 respectively; and (b) for the property located at Shop A, G/F, Kam Koon Building, 308, 310 and 312 Lockhart Road, Wanchai, Hong Kong amounted to approximately HK\$2,400,000, HK\$2,400,000 and HK\$2,400,000 and HK\$2,400,000 respectively. Under our lease arrangements currently in force, our rental payment to Fortune Goldman Limited for the year ending 31 March 2019 is estimated to be approximately HK\$4,920,000.

Happy Gear Limited is wholly owned by Brave Tiger Group Limited, which in turn is wholly-owned by Mr. Tso, one of our executive Directors and Controlling Shareholders. As such, Happy Gear Limited is an associate of Mr. Tso and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Master Tenancy Agreement entered into between our Company and Happy Gear Limited will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. For the years ended 31 March 2015, 2016, 2017 and 2018, rental expenses paid to Happy Gear Limited by our Group for the property located at Shop 5, G/F, Capital Building, 175, 177, 179, 181, 183, 185, 187, 189, 189A and 191 Lockhart Road, Wanchai, Hong Kong amounted to approximately HK\$2,520,000, HK\$2,520,000 and HK\$2,520,000 and HK\$2,520,000, respectively. Under our lease arrangement currently in force, our rental payment to Happy Gear Limited for the year ending 31 March 2019 is estimated to be approximately HK\$2,520,000.

## CONNECTED TRANSACTIONS

Denmark Investments Limited is wholly owned by Brave Tiger Group Limited, which in turn is wholly-owned by Mr. Tso, one of our executive Directors and Controlling Shareholders. As such, Denmark Investments Limited is an associate of Mr. Tso and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Master Tenancy Agreement with Denmark Investments Limited will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. For the years ended 31 March 2015, 2016, 2017 and 2018, rental expenses paid to Denmark Investments Limited by our Group for the property located at Shop B, G/F, 280 Portland Street, Mongkok, Kowloon, Hong Kong amounted to approximately HK\$1,250,000, HK\$3,120,000, HK\$3,360,000 and HK\$3,360,000, respectively. Under our lease arrangement currently in force, our rental payment to Denmark Investments Limited for the year ending 31 March 2019 is estimated to be approximately HK\$3,360,000.

Our Directors estimate that for the years ending 31 March 2019, 2020 and 2021, the aggregate rental expenses payable by our Group to Cyber Building Limited, Fortune Goldman Limited, Happy Gear Limited and Denmark Investment Limited under the Master Tenancy Agreement will not exceed, HK\$17.2 million, HK\$17.2 million and HK\$17.2 million, respectively.

Our Directors consider that the Master Tenancy Agreement will enable our Group to continue our operations at our current locations without having to incur additional costs for relocation and find other suitable locations. The rent payable under the Master Tenancy Agreement was determined on an arm's length basis and reflected the appraised value of the property and the prevailing market rent of similar properties. The Master Tenancy Agreement were entered into on normal commercial terms. The rent payable under the Master Tenancy Agreement will be reviewed every three years, taking into account the then market conditions and the prevailing market rent at the relevant time and no less favourable than that offered by independent third parties.

Roma Appraisals Limited, an independent valuer to our Company, has reviewed the rent payable pursuant to the Master Tenancy Agreement and confirmed that the rent payable by our Company to the Landlords reflect the prevailing market rates of comparable properties and is fair and reasonable.

### **WAIVERS**

As one or more of the percentage ratios (other than the profits ratio) for transactions contemplated under the Master Tenancy Agreement, on aggregate basis, is expected to be more than 5% on an annual basis, the transactions under the Master Tenancy Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements of the Listing Rules in respect of the continuing connected transaction described above subject to the aggregate value of the non-exempt continuing connected transaction for each financial year not exceeding the relevant annual cap amount set forth in the respective caps stated above. Apart from the announcement, circular and independent shareholders' approval requirements of which waivers are sought, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules upon the Listing.

## CONNECTED TRANSACTIONS

### **DIRECTORS' VIEW**

Our Directors, including the independent non-executive Directors, consider that the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including the independent non-executive Directors, are also of the view that the annual caps of the non-exempt continuing connected transactions above are fair and reasonable and in the interest of our Shareholders as a whole.

### **SPONSOR'S VIEW**

The Sponsor is of the view that the continuing connected transactions as disclosed above and their respective annual caps are fair and reasonable, and such transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms and are fair and reasonable and in the interest of our Shareholders as a whole.



## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wan Tat Bond (溫達邦) was appointed as our executive Director on 17 December 2015 and resigned with effect from 6 September 2017 due to his personal reasons. Mr. Wan Tat Bond confirmed that there is no disagreement with the Board or any matter which needs to be brought to the attention of the Shareholders in respect of his resignation as an executive Director. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Director and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management:

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Company	Roles and Responsibilities
Mr. Simon Tso (曹思豪)	46	22 February 1999	25 September 2015	Chairman, chief executive officer and executive Director	Responsible for the overall strategic planning, operations and management of our Group
Ms. Tsui To Fei (徐道飛)	49	8 June 2000	26 January 2018	Executive Director	Responsible for the overall strategic planning, operations and management of our Group
Mr. Leung Wai Chuen (梁偉泉)	52	6 November 2017	6 November 2017	Non-executive Director	Supervising and providing strategic advice to our Group
Mr. Ho Wing Tim (何榮添)	59	20 September 2018	20 September 2018	Independent non-executive Director	Supervising and providing independent advice to the Board
Mr. Ng Wang To (吳宏圖)	50	20 September 2018	20 September 2018	Independent non-executive Director	Supervising and providing independent advice to the Board
Ms. Law Chui Yuk (羅翠玉)	49	20 September 2018	20 September 2018	Independent non-executive Director	Supervising and providing independent advice to the Board

## DIRECTORS AND SENIOR MANAGEMENT

### Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Company	Roles and Responsibilities
Mr. Chan Cheung (陳璋)	62	29 November 2017	29 November 2017	Chief financial officer	Responsible for the overall financial and accounting management of our Group
Mr. Tam Chi Wai (譚志偉)	51	6 April 2006	1 April 2015	Financial controller	Responsible for the overall accounting management of our Group
Ms. Lau Ka Man (劉嘉文)	40	19 April 2006	1 May 2011	Logistic and administration manager	Responsible for supervising the logistic operations and management of our Group

### Executive Directors

**Mr. Simon Tso** (曹思豪), aged 46, was appointed as our Director on 25 September 2015 and re-designated as our executive Director on 17 December 2015. Mr. Tso is the founder, chairman and chief executive officer of our Group. He is responsible for the overall strategic planning, operations and management of our Group. Mr. Tso has over 19 years of experience in trading of tiles and building materials. Mr. Tso is a director of Pok Oi Hospital, a charitable organisation principally engaged in the provision of medical, social and educational services. He is also the vice president of Wanchai and Central & Western District Industries and Commerce Association, an industrial and commercial organisation. Mr. Tso obtained a bachelor's degree in engineering from the University of Manchester Institute of Science and Technology (which was merged with the Victoria University of Manchester, now known as the University of Manchester) in United Kingdom in July 1997. He also received a master's degree in business administration from the University of Liverpool in United Kingdom in December 1998.

Mr. Tso was appointed as our chairman and chief executive officer to oversee the strategic planning, operations and management of our Group. Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separated and not be performed by the same individual. However, due to the nature and extent of our Group's operations and Mr. Tso's in-depth knowledge and experience in the industry in which we operate and his familiarity with the operations of our Group, our Company considers that it is not preferable to find an alternative candidate to replace Mr. Tso and serve in either of the positions at the stage. As such, the role of the chairman and chief executive officer of our Company are not being separated pursuant to the requirement under A.2.1 of Appendix 14 of the Listing Rules.

**Ms. Tsui To Fei** (徐道飛), aged 49, was appointed as our executive Director on 26 January 2018. Ms. Tsui joined our Group as the director of RBMS HK since June 2000. She is primary responsible for the overall strategic planning, operations and management of our Group. Ms. Tsui is the spouse of Mr. Tso. Ms. Tsui has also been a director of Asian Wealth Limited since June 2009 and Cyber Building

## DIRECTORS AND SENIOR MANAGEMENT

Limited since July 2000, they are both investment holding companies, where Ms. Tsui has been responsible for making investment decisions. Prior to joining our Group, Ms. Tsui was involved in family textile business. Ms. Tsui completed her secondary school education in South Hills Academy in the United States in 1990.

Ms. Tsui was a director of Castin International Limited (嘉天國際有限公司) and Keen Power Investment Limited (興權投資有限公司) which were companies incorporated in Hong Kong. Castin International Limited (嘉天國際有限公司) and Keen Power Investment Limited (興權投資有限公司) were dissolved by striking off as defunct solvent companies from the companies register maintained by the Registrar of Companies pursuant to section 291(6) of the then Companies Ordinance (Chapter 32 of the laws of Hong Kong) on 24 January 2003 and 8 January 2010, respectively. Ms. Tsui has confirmed that, as at the Latest Practicable Date, no claims had been made against her and she was not aware of any threatened and potential claims made against her as a result of the dissolutions of Castin International Limited (嘉天國際有限公司) and Keen Power Investment Limited (興權投資有限公司).

### **Non-executive Director**

**Mr. Leung Wai Chuen (梁偉泉)**, aged 52, was appointed as our non-executive Director on 6 November 2017. Mr. Leung has over 25 years of experience in auditing, accounting and financial management and company secretarial matters. Mr. Leung has been a company secretary of Grand Ming Group Holdings Limited (stock code: 1271) since 2013, a company listed on the Main Board and is principally engaged in providing building construction services where he has been responsible for the overall company secretarial matters. Since September 2014, Mr. Leung has been an independent non-executive director of e Lighting Group Holdings Limited (stock code: 8222), a company listed on the GEM of the Stock Exchange and is principally engaged in the retail of lighting and designer label furniture, where Mr. Leung serves as the chairman of its audit committee and members of its remuneration and nomination committees. He worked as a chief financial officer at Tang Palace (China) Holdings Limited (stock code: 1181) from 2009 to 2012 and served the same at Sinobest Technology Holdings Ltd (currently known as OKH Global Ltd., and listed on the Main Board of the Singapore Exchange (stock code: S3N)) from 2005 to 2008 where he was primarily responsible for their overall financial and accounting management. Mr. Leung also served as a financial controller at Neo-Neon Holdings Limited (stock code: 1868) from 2008 to 2009 and at WLS Holdings Limited (stock code: 8021) from 2001 to 2004, respectively where he was responsible for overseeing their financial matters. From 2000 to 2001, he was an accountant at China Overseas Land & Investment Limited (stock code: 688) where he was primarily responsible for its financial reporting management. Prior to this, Mr. Leung then held senior finance/audit positions in several private companies from 1992 to 2000. From 1989 to 1992, Mr. Leung served as an accountant and subsequently an audit senior at Price Waterhouse (now known as PricewaterhouseCoopers), an international accounting firm, where he was primarily responsible for auditing. Mr. Leung is a member of the HKICPA since 1993, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since 1998, an associate of the Hong Kong Institute of Chartered Secretaries (formerly known as the Hong Kong Institute of Company Secretaries) since 2004 and the Institute of Chartered Secretaries and Administrators since 2004 respectively. Mr. Leung obtained a bachelor's degree in social sciences from the University of Hong Kong in December 1989, a master's degree in business administration jointly awarded by the University of Wales and the University of Manchester in July 2001 through distance learning and a master's degree in business (logistics management) from the Royal Melbourne Institute of Technology (now known as RMIT University) in September 2007 through distance learning.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung was also the director of Prime Talent Global Limited (專業環球有限公司) and Prime Talent Limited (專業至誠有限公司) which were companies incorporated in Hong Kong. Prime Talent Global Limited (專業環球有限公司) was dissolved by deregistration by the Registrar of Companies of Hong Kong as defunct solvent company pursuant to section 291AA of the then Companies Ordinance (Chapter 32 of the laws of Hong Kong) on 28 September 2007. Prime Talent Limited (專業至誠有限公司) was dissolved by striking off as a defunct solvent company from the companies register maintained by the Registrar of Companies of Hong Kong pursuant to section 291(6) of the then Companies Ordinance (Chapter 32 of the laws of Hong Kong) on 7 March 2003. Mr. Leung has confirmed that, as at the Latest Practicable Date, no claims had been made against him and he was not aware of any threatened and potential claims made against him as a result of the dissolution of Prime Talent Global Limited (專業環球有限公司) and Prime Talent Limited (專業至誠有限公司).

### Independent Non-executive Directors

**Mr. Ho Wing Tim (何榮添)**, aged 59, was appointed as our independent non-executive Director on 20 September 2018. From 2001 to 2006, Mr. Ho served as a director and from 2001 to 2002, as a chief executive officer of Lai Fung Holdings Ltd (stock code: 1125), a company listed on the Main Board and is principally engaged in property development and investment where he was primarily responsible for leading its development and executing its business strategies. Mr. Ho was the chairman of Pok Oi Hospital from 2014 to 2015. He has been the permanent advisor of Pok Oi Hospital Board of Directors since 2015. Mr. Ho received the Medal of Honour from the Government of Hong Kong in 2015. Mr. Ho obtained a doctorate degree in business administration from the International American University in the United States in July 2013.

**Mr. Ng Wang To (吳宏圖)**, aged 50, was appointed as our independent non-executive Director on 20 September 2018. Mr. Ng has over 14 years of experience in fund management. Since April 2016, Mr. Ng has been a managing director of Well Link Asset Management Limited where he has been primarily responsible for its overall management. From June 2015 to March 2016, Mr. Ng served as a vice president of the fund management in securities and asset management department of AMTD Asset Management Limited where he was primarily in charge of the investment management of funds. From February to June 2015, Mr. Ng worked as a senior portfolio manager in Wing Lung Asset Management Limited, where he was primarily responsible for the management of fund. From October 2013 to January 2015, Mr. Ng worked at RHB OSK Asset Management Limited, an asset management company, with his last position as chief investment officer (marketing title) of the asset management department, where he was primarily in charge of the asset management business. From August 2006 to October 2013, Mr. Ng worked at Pacific Eagle Asset Management Limited with last position as an investment director, where he was responsible for the management of funds. From March 2003 to July 2006, Mr. Ng served as a deputy general manager of the investment management department of Allianz Global Investors Taiwan Ltd., a subsidiary of Allianz Global Investors AG, where he was in charge of the investment management department and was responsible for supervising the management of mutual funds.

Mr. Ng obtained a bachelor's degree in business administration from the Chinese University of Hong Kong in 1993. He is currently licensed by the SFC to carry out Type 9 (asset management) and Type 4 (advising on securities) regulated activities under the SFO and is a responsible officer of Well Link Asset Management Limited.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. Law Chui Yuk (羅翠玉)**, aged 49, was appointed as our independent non-executive Director on 20 September 2018. Ms. Law has over 25 years of experience in accounting and financial management.

From April 1998 to September 2017, Ms. Law joined Standard Chartered Bank (China) Ltd with last position as the head of performance and analytics, commercial banking and transaction banking for Greater China and North Asia and Hong Kong where she was primarily responsible for the performance management for commercial banking and transaction banking businesses. From December 1995 to March 1998, Ms. Law served as a senior officer in finance division of the Hong Kong branch of China Construction Bank Corporation where she was primarily responsible for the financial accounting, management and statutory reporting, planning and budgetary control, system development, taxation and risk management. From March 1994 to December 1995, Ms. Law served in two private companies as an accountant and a management accountant where she was responsible for performing analytical review, rendering assistance to the enforcement of internal control, formulating financial reports and budgets. Ms. Law worked at Deloitte Touche Tohmatsu, an international accounting firm, from August 1991 to February 1994 with last position as a semi-senior auditor, during which she was primarily responsible for auditing.

Ms. Law has been an associate of the HKICPA since April 1997, a fellow of the Association of Chartered Certified Accountants of the United Kingdom since March 2000. Ms. Law obtained a bachelor's degree in business administration from the University of Hong Kong in November 1991.

Each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the Listing Rules. Save as disclosed above, none of our Directors was a director of other listed entities for the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

**Mr. Chan Cheung (陳璋)**, aged 62, is the chief financial officer of our Group. Mr. Chan joined our Group in 29 November 2017 and he is responsible for the overall financial and accounting management of our Group. Mr. Chan has over 25 years of experience in banking, accounting, financial management and company secretarial matters. Prior to joining our Group, Mr. Chan was the company secretary of Richful Deyong International Business (China) Limited, a professional consulting service provider, from February 2017 to July 2017, where he was primarily responsible for company secretarial matters. From April 2009 to June 2016, Mr. Chan served as the chief financial officer and company secretary of Neo-Neon Holdings Limited (stock code: 1868), a company listed on the Main Board and principally engaged in the manufacturing and sales of LED decorative lighting, where he was primarily responsible for full spectrum of finance, taxation, general management and company secretarial works. From August 2007 to February 2009, Mr. Chan served as chief financial officer and company secretary of Sun East Technology (Holdings) Limited (now known as Unisplendour Technology (Holdings) Limited) (stock code: 0365), a company listed on the Main Board and principally engaged in equipment manufacturing, finance lease and factoring, where he was primarily responsible for the company's finance and control, management information system, and statutory reporting. From October 2002 to March 2004, Mr. Chan was employed by Lung Kee Metal Limited and served as the group finance manager, a subsidiary of Lung Kee (Bermuda) Holdings Limited (stock code: 0255), a mould bases manufacturer primarily listed on the Main Board and secondarily listed on the Singapore Exchange Securities Trading Limited (Stock Code: L09), where he was primarily responsible for the overall

## DIRECTORS AND SENIOR MANAGEMENT

financial and accounting functions and tax matters of the group. Mr. Chan served various positions relating to accounts, financial management and banking services in various companies where he was responsible for bond dealings, credit and marketing, preparing accounts and/or financial reporting from 1983 to 1990 and 1995 to 2002.

Mr. Chan has been a member of HKICPA since January 2001 and a member of The Association of Chartered Certified Accountants of the United Kingdom since November 2000. Mr. Chan obtained a bachelor's degree in social science from the Chinese University of Hong Kong in December 1983.

**Mr. Tam Chi Wai** (譚志偉), aged 51, is the financial controller of our Group. He joined our Group in April 2006 as the accounting manager. He is responsible for the overall accounting management of our Group. Prior to joining our Group, Mr. Tam was the assistant accountant of Techwise Electronics Limited, an electronics company, where he was primarily responsible for its accounting management from August 2005 to April 2006. He was the accountant and subsequently the assistant accounting manager of Mansfield Manufacturing Company Limited, a metal mould manufacturer, from January 2003 to July 2005 where he was primarily responsible for its internal audit control, the full set accounts of its subsidiary company and the corporate consolidation work. From March 1991 to September 2002, Mr. Tam served as an assistant manager of the accounting department of Epson Precision (Hong Kong) Limited, a wholesale distributor of computers, computer peripheral equipment and computer software and Epson Engineering (Shenzhen) Ltd, an office equipment manufacturing company, where he was primarily responsible for PRC accounting and taxation policy compliance and the accounting analysis. Mr. Tam obtained a bachelor's degree of science in applied computing in June 2003 and a bachelor's degree in business administration in June 2006 from the Open University of Hong Kong.

**Ms. Lau Ka Man** (劉嘉文), aged 40, is the logistic and administration manager of our Group since May 2011. She joined our Group in April 2006 as a shipping clerk. She is responsible for supervising the logistic operations and management of our Group. Prior to joining our Group, Ms. Lau was an export clerk of BAX Global Ltd, a logistics transportation and supply chain management company, where she was primarily responsible for export shipping management from June 2004 to April 2006. Ms. Lau was a marketing assistant of Andex Jewellery Limited, a jewellery export company, where she was primarily responsible for developing marketing strategies from October 1999 to May 2004. From August 1998 to June 1999, Ms. Lau served as a temporary accounts clerk of Update International Ltd., a supplier of passenger care and comfort items to airlines and travel related business, where she was primarily responsible for its accounting management and administration. Ms. Lau graduated from the L'Amoreaux Collegiate Institute in Canada in June 1998.

### JOINT COMPANY SECRETARIES

Mr. Chan Cheung is our joint company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of his background, please refer to the paragraph headed "Senior management" of this section.

**Mr. Sincere Wong** (黃誠思), aged 54, is our joint company secretary. Mr. Wong is the founder and currently a partner of Sincere Wong & Co., a Hong Kong law firm. He has also been an independent non-executive director of Bank of Gansu Co., Ltd (stock code: 2139) since August 2017. He was an in-house counsel for Hutchison Whampoa group from September 1996 to January 2005, the senior legal adviser for China Resources Enterprise, Limited (now known as China Resources Beer (Holdings)

## DIRECTORS AND SENIOR MANAGEMENT

Company Limited) (stock code: 291) from February 2005 to November 2006, chief legal officer and company secretary of Shui On Construction and Materials Limited from November 2006 to June 2010 and from November 2006 to January 2008, respectively, as well as the vice president, legal of Sateri (Shanghai) Management Limited, a subsidiary of Sateri Holdings Limited (a company previously listed on the Hong Kong Stock Exchange, the name of which was later changed to Bracell Limited but subsequently been privatized) from July 2010 to May 2011. He worked at the Hong Kong Exchanges and Clearing Limited from August 2011 to April 2016, and his last position was a vice president of IPO Transactions of the Listing & Regulatory Affairs Division, where he was primarily responsible for reviewing listing applications.

Mr. Wong obtained a bachelor's degree of social science from the Chinese University of Hong Kong in Hong Kong in December 1986. He passed the Common Professional Examination in Wolverhampton Polytechnic (now known as University of Wolverhampton) in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honors in October 1991. Mr. Wong was admitted as a solicitor of Hong Kong and England and Wales in October 1993 and February 1994, respectively.

### BOARD COMMITTEE

#### Audit Committee

Our Company established an audit committee on 20 September 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three independent non-executive Directors, being Ms. Law Chui Yuk, Mr. Ho Wing Tim and Mr. Ng Wang To. The Audit Committee is chaired by Ms. Law Chui Yuk, who has a professional qualification in accountancy. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

Our Company established a remuneration committee on 20 September 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of three members, two of whom are independent non-executive Directors, being Mr. Ng Wang To and Ms. Law Chui Yuk, and one of whom is an executive Director, being Mr. Tso. The remuneration committee is chaired by Mr. Ng Wang To. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

## DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

### **Nomination Committee**

Our Company established a nomination committee on 20 September 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, two of whom are independent non-executive Directors, being Mr. Ho Wing Tim and Mr. Ng Wang To and one of whom is an executive Director, being Mr. Tso. The nomination committee is chaired by Mr. Tso. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

### **Corporate Governance Committee**

Our Company established a corporate governance committee on 20 September 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The corporate governance committee consists of four members, three of whom are independent non-executive Directors, being Ms. Law Chui Yuk, Mr. Ng Wang To and Mr. Ho Wing Tim, and one of whom is our joint company secretary, Mr. Sincere Wong. The corporate governance committee is chaired by Ms. Law Chui Yuk. The primary duties of the corporate governance committee are (i) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of our Directors and senior management; (iii) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review our Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended 31 March 2015, 2016, 2017 and 2018, was approximately HK\$3,353,000, HK\$3,967,000, HK\$4,116,000 and HK\$3,802,000, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for the years ended 31 March 2015, 2016, 2017 and 2018, after excluding the amount of remuneration paid to our Directors as disclosed above, was approximately HK\$2,995,000, HK\$2,291,000, HK\$2,708,000 and HK\$2,697,000, respectively.



## **DIRECTORS AND SENIOR MANAGEMENT**

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended 31 March 2015, 2016, 2017 and 2018. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 March 2019 is estimated to be no more than HK\$4.3 million.

### **RETIREMENT BENEFIT SCHEME**

We participate in the mandatory provident fund for our employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong). We have paid the relevant contributions in accordance with the Mandatory Provident Fund Schemes Ordinance.

### **SHARE OPTION SCHEME**

We have adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to “Statutory and general information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

### **COMPLIANCE ADVISER**

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share buy backs;
- (c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Share Offer and the Capitalisation Issue taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Shares held as at the date of the submission of application for the Listing			Shares held immediately following the completion of the Capitalisation and the Share Offer		
	Nature of interest	Number	Percentage (approx.)	Nature of interest	Number	Percentage (approx.)
Mr. Tso	Beneficiary of a trust	1(L) <sup>(2)</sup>	100%	Beneficiary of a trust	1,500,000,000(L) <sup>(2)</sup>	75%
TMF (Cayman) Ltd.	Trustee of a trust	1(L) <sup>(2)</sup>	100%	Trustee of a trust	1,500,000,000(L) <sup>(2)</sup>	75%
RB Management	Interest of a controlled corporation	1(L) <sup>(2)</sup>	100%	Interest of a controlled corporation	1,500,000,000(L) <sup>(2)</sup>	75%
RB Power	Beneficial owner	1(L) <sup>(2)</sup>	100%	Beneficial owner	1,500,000,000(L) <sup>(2)</sup>	75%
Ms. Tsui	Interest of spouse	1(L) <sup>(3)</sup>	100%	Interest of spouse	1,500,000,000(L) <sup>(2)</sup>	75%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) After the completion of the Reorganisation, RB Power is wholly owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso and Mr. Tso’s family members as beneficiaries. By virtue of the SFO, each of RB Management and Mr. Tso is deemed to be interested in the Share held by RB Power.
- (3) Mr. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of shares in which Mr. Tso is interested.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Share Offer (without taking into account Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme) and the Capitalisation Issue:

	<b>Nominal value</b> (HK\$)
<b>Authorised share capital:</b>	
5,000,000,000 Shares of HK\$0.01 each	50,000,000.00
<b>Issued and to be issued, fully paid or credited as fully paid:</b>	
1 Share in issue as of the date of this prospectus	0.01
1,499,999,999 Shares to be issued pursuant to the Capitalisation Issue	14,999,999.99
<u>500,000,000</u> Shares to be issued under the Share Offer	<u>5,000,000.00</u>
<u><u>2,000,000,000</u></u> Total	<u><u>20,000,000.00</u></u>

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

### RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued Shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

## SHARE CAPITAL

- (2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buy back Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholder of our Company passed on 20 September 2018" in Appendix IV to this prospectus.

### GENERAL MANDATE TO BUY BACK SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to buy backs made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Statutory and General Information — A. Further information about our Group — 6. Buy backs of our Shares" in Appendix IV to this prospectus.

This general mandate to buy back Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the paragraph headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholder of our Company passed on 20 September 2018" in Appendix IV to this prospectus.

## **SHARE CAPITAL**

### **SHARE OPTION SCHEME**

Pursuant to the written resolutions of the Shareholders dated 20 September 2018, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed “Statutory and General Information — D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders’ special resolution. For more details, please refer to the paragraph headed “Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please refer to the paragraph headed “Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*The following discussion and analysis should be read in conjunction with the audited consolidated financial information of our Group for the four years ended 31 March 2018 and the accompanying notes (“**Financial Information**”), included in the accountants’ report set out in Appendix I to this prospectus. The Financial Information and the consolidated financial statements of our Group have been prepared in accordance with HKFRS, which may differ in certain respects from generally accepted accounting principles in certain other countries. Potential investors should read the whole of the accountants’ report set out in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

*The discussion and analysis set out in this section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed “Risk Factors” in this prospectus.*

*Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.*

## OVERVIEW

We are the market leader in the overseas manufactured tile retailing industry in Hong Kong, specialising in high-end European imported porcelain, ceramic and mosaic tiles. According to Ipsos, we were the largest player in the tile retailing industry in Hong Kong in 2017 in terms of revenue, with an approximately 17.2% market share of the overall tile retailing market and approximately 27.2% market share of the overseas manufactured tile retailing market. To complement our wide variety of wall and floor tile products, we also sell bathroom fixtures (such as bath tubs, wash basins and other accessories) sourced from Italian and Spanish manufacturers.

We primarily sell European imported tiles and bathroom fixtures to retail customers at our retail shops. As at the Latest Practicable Date, we operated 18 retail shops, which were strategically located at the prime retail locations for home improvement, and remodelling and furnishing materials in Hong Kong, including (i) Lockhart Road, Wanchai, Hong Kong Island; (ii) Portland Street, Mongkok, Kowloon; and (iii) Yuen Long, New Territories. According to Ipsos, we operate the largest number of retail shops among the key tiles distributors as of August 2018 in Hong Kong. Apart from retail sales, we also supply our tile products to our project customers on project basis for large-scale property development projects and residential and commercial property renovation projects principally in Hong Kong and Macau, and sell our tiles and bathroom fixtures to distributors located in the PRC. Our revenue generated from retail sales accounted for approximately 87.7%, 73.0%, 79.4% and 75.6% of our total revenue for the four years ended 31 March 2018 respectively, while our revenue generated from non-retail sales accounted for the remaining portion of our total revenue during the Track Record Period.

Hong Kong is our principal market and we derived all of our revenue in Hong Kong during the Track Record Period. During the Track Record Period, our revenue amounted to approximately HK\$173.8 million, HK\$202.1 million, HK\$183.4 million and HK\$190.8 million, respectively, while our profit attributable to owners of our Company amounted to approximately HK\$33.0 million, HK\$14.2 million, HK\$30.6 million and HK\$17.1 million, respectively.

## FINANCIAL INFORMATION

### BASIS OF PREPARATION

Our Financial Information was presented in HK\$, which is also the functional currency of companies now comprising our Group and was prepared and presented in accordance with HKFRS.

Pursuant to the Reorganisation as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, our Company has become the holding company of the companies now comprising our Group on 17 December 2015. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, our Financial Information have been prepared as if our Company had always been the holding company of our Group.

Accordingly, our Financial Information has been prepared under the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2015 and 2016 included our results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the years ended 31 March 2015 and 2016, or since their respective dates of incorporation, where there is a shorter period. Our consolidated statement of financial position as at 31 March 2015 has been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at that date taking into account the respective dates of incorporation, where applicable.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

#### **General economic condition and property market in Hong Kong**

As we principally sell our European imported tiles and bathroom fixtures to retail customers at our retail shops or directly to project customers in Hong Kong, our financial condition and results of operations may be affected by the general economic condition in Hong Kong. According to Ipsos, the Hong Kong economy recorded continuous growth in GDP value from approximately HK\$2,037.1 billion in 2012 to approximately HK\$2,662.6 billion in 2017, and is forecasted to rise to approximately HK\$3,247.6 billion in 2021 at a CAGR of approximately 4.6% between 2018 and 2021. In addition, our products are widely used in residential and commercial premises improvement and furnishing, residential and commercial real estate development projects and property remodelling projects. Therefore, the demand for our products is also affected by the growth of the property market in Hong Kong which can be reflected by the residential and commercial real estate development industries as well as the real estate transaction volume in Hong Kong.

## FINANCIAL INFORMATION

We believe that the growth in GDP and property market in Hong Kong will stimulate the consumption expenditure and then increase the demand of our retail and project customers in Hong Kong. However, as rental expenses of our retail shops accounted for a relatively significant proportion of our cost of operations, the economic growth in Hong Kong will lead to upsurge in market rental rates and may result in an increase in our rental expenses, which may lead to a negative impact in our financial condition and results of operations.

### **Pricing of our products**

The pricing of our products, especially our principal products, tile products, have a direct impact on our results of operations and financial condition. We offer a wide selection of European imported tiles and a limited range of bathroom fixtures to our customers. The selling prices of our products are determined based on a number of factors, including and not limited to, (i) the market condition; (ii) the historical and forecasted sales performance of each particular product; and (iii) the inventory level of that particular product. We adjust our mix of tiles and bathroom fixtures offering to accommodate the changing market demands.

During the Track Record Period, our revenue was mainly derived from the sales of our principal products, tile products which comprised porcelain, ceramic and mosaic tiles, and accounted for approximately 98.5%, 97.0%, 98.5% and 96.9% of our total revenue, respectively.

In recent years, we have been diversifying our product portfolio and expanding our sales efforts through different sales channels. In addition, we have entered into exclusive distribution agreements with certain suppliers since 2014. As a result, we were able to increase our unit selling prices of certain tile products through offering less discounts to our non-retail customers (i.e. our PRC distributors) to align with our retail prices for the years ended 31 March 2016, 2017 and 2018. Our revenue from the sales of tile products experienced a growth for the year ended 31 March 2016. However, the market environment and customer preferences may change or evolve over time which may in return affect our product pricing policy, which will post new challenges to us. Due to changes in market conditions, our revenue from the sales of tile products dropped for the year ended 31 March 2017. For the year ended 31 March 2018, our revenue from sales of tile products gently increased as compared to the year ended 31 March 2017, mainly due to the increase in our project sales and distribution sales, though our retail sales experienced a slight decline due to increased market competition of the tile retailing industry in Hong Kong. In addition, if there are other alternative home improvement, and remodelling and furnishing products that can replace or act as a substitute for our principal products, tile products, the demand for our tile products may decline and our financial condition and results of operations may be materially and adversely affected.



## FINANCIAL INFORMATION

### Expansion of our retail network

Our financial condition and results of operations are directly affected by the expansion of our retail network in Hong Kong because our revenue generated from retail sales accounted for a majority of our total revenue, i.e. approximately 87.7%, 73.0%, 79.4% and 75.6% of our total revenue for the four years ended 31 March 2018 respectively. Since the opening of our first retail shop in 2001, we have been steadily expanding our retail network through the opening of more retail shops in Hong Kong to increase our sales capacity and our total revenue generated from retail sales. As at the Latest Practicable Date, we had a total of 18 retail shops located at the prime retail locations in Hong Kong for house improvement, and remodelling and furnishing materials. The following table sets out an analysis of the additions and closure of our retail shops during the Track Record Period and up to the Latest Practicable Date:

Location of retail shops	As at the beginning of the Track Record Period	Additions for the year ended 31 March 2015	Additions/ (closure) for the year ended 31 March 2016	Additions for the year ended 31 March 2017	Closure for the year ended 31 March 2018	Additions subsequent to 31 March 2018	As at the Latest Practicable Date
Hong Kong Island	8	1	(1)	1	—	1	10
Kowloon	5	1	1	—	—	—	7
New Territories	2	—	—	—	(1)	—	1
<b>Total</b>	<b>15</b>	<b>2</b>	<b>—</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>18</b>

The following table sets out the average number of retail shops and average monthly revenue per retail shop for the years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
Average number of retail shops <sup>(1)</sup>	16.0	17.1	18.0	17.9
Average monthly revenue per retail shop <sup>(2)</sup> (HK\$'000)	794	720	674	672

*Notes:*

- (1) Average number of retail shops is equal to the average of the month end number of our retail shops for the financial year.
- (2) Average monthly revenue per retail shop is equal to our revenue from retail sales for the financial year divided by the average number of retail shops and number of months for the financial year.

Our level of retail shop revenue is affected by a number of factors, including but not limited to, (i) our retail shop staff service standard; (ii) our retail shop design and environment; (iii) our retail shop location and visibility; and (iv) our product price, range and mix offered. Our average monthly revenue per retail shop amounted to approximately HK\$794,000, HK\$720,000, HK\$674,000 and HK\$672,000 for the four years ended 31 March 2018 respectively.

## FINANCIAL INFORMATION

### **Reliance on our major suppliers**

Most of our products are sourced from well-known Italian and Spanish manufacturers. For the four years ended 31 March 2018, approximately 56.3%, 59.5%, 53.6% and 56.3% of the total purchases of our products were purchased from our five largest suppliers respectively. We do not enter into long-term supply agreements with our major suppliers but we had entered into exclusive distribution agreements with various Italian and Spanish tile suppliers, which granted us exclusive distribution rights of their products as at the Latest Practicable Date. We generally place purchase orders with our suppliers from time to time depending on our operation needs. As a result, developing and maintaining long and stable business relationships with our suppliers is a key success factor of our Group. As at the Latest Practicable Date, the business relationship with our five largest suppliers ranged from approximately 4 to 16 years. There is no assurance that we will be able to maintain good business relationships with our major suppliers in the future or the supply of products from our major suppliers will not be interrupted due to any circumstances. In addition, we may not be able to source any alternative supplier to replace any loss of our current major suppliers. In the event of a shortage in supply of products from our major suppliers, our business, financial condition and results of operations may be materially and adversely affected.

### **Cost of inventories sold**

During the Track Record Period, our cost of inventories sold mainly represented the procurement costs of our tiles and bathroom fixtures, which were finished goods purchased directly from our suppliers located in Italy and Spain for resale. Cost of inventories sold is our largest component of cost in our business operations, and thus has a direct and significant impact on our profit margins and results of operations. For the four years ended 31 March 2018, our cost of inventories sold was approximately HK\$59.5 million, HK\$59.9 million, HK\$53.8 million and HK\$59.0 million, representing approximately 34.2%, 29.6%, 29.3% and 30.9% of our total revenue, respectively. We do not enter into any long-term supply agreements with our suppliers and we make our purchases from time to time depending on our operational needs.

As a result, changes in product pricing by our suppliers may have a significant impact on our financial condition and results of operations. To our best knowledge, as certain of our major suppliers may impose uniform pricing policies across their different distributors, we may have limited capacity to pass on any increment of our purchase costs to our customers.

### **Property rentals and related expenses**

Our property rentals and related expenses are the major costs in our business operations, and amounted to approximately HK\$38.7 million, HK\$46.5 million, HK\$50.2 million and HK\$50.2 million for the four years ended 31 March 2018 respectively, representing approximately 22.3%, 23.0%, 27.4% and 26.3% of our total revenue for the respective years. During the Track Record Period and as at the Latest Practicable Date, all of our business premises, including retail shops, warehouses and office premises, were rented by us under operating leases.

During the Track Record Period, our property rentals and related expenses mainly included the rental expenses of our retail shops, which accounted for approximately 81.7%, 79.8%, 82.6% and 82.9% of our total property rentals and related expenses for the four years ended 31 March 2018, respectively.

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The following table sets out the average aggregate gross floor area occupied by our retail shops and our average monthly rental rate per square feet of floor area for the financial years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Average aggregate gross floor area occupied by our retail shops <sup>(1)</sup> (sq.ft.)	12,858	13,821	14,465	14,421
Average monthly rental rate per square feet of floor area <sup>(2)</sup> (HK\$)	205	224	239	240

*Notes:*

- (1) Average aggregate gross floor area occupied by our retail shops is equal to the average of the month end aggregate gross floor area occupied by our retail shops for the financial year.
- (2) Average monthly rental rate per square feet of floor area is equal to the total rental expenses of our retail shops for the financial year divided by number of months in the financial year, and then further divided by the average aggregate gross floor area occupied by our retail shops for the financial year.

Both of our average aggregate gross floor area occupied by our retail shops and average monthly rental rate per square feet of floor area generally increased steadily during the Track Record Period. The slight decrease in average aggregate gross floor area for the year ended 31 March 2018 was due to the fact that we did not renew the lease of a Yuen Long retail shop, namely RB Heritage, upon its expiry in mid-March 2018 as the revenue contribution of the shop was relatively low among our retail shops and we closed the shop for the purpose of enhancing our overall resources allocation.

As a result of our business growth and continuous expansion of our retail network, we expect that our property rentals and related expenses will probably increase in the future. If our landlords increase the rent or impose more stringent payment terms when renewing our leases or we are not be able to renew our existing lease arrangements on terms and conditions that are commercially acceptable to us, there may be substantial increase in our property rentals and related expenses in the future, which will increase the cost of our operations and may have a material and adverse impact on our results of operations and financial condition.

### **Fluctuations in foreign exchange rates**

During the Track Record Period, our Group recorded net exchange gains of approximately HK\$8.8 million and HK\$1.8 million for the years ended 31 March 2015 and 2017 respectively, and net exchange losses of approximately HK\$1.9 million and HK\$4.8 million for the years ended 31 March 2016 and 2018 respectively. As the purchases of our products from our Italian and Spanish suppliers are principally denominated in Euro, we are exposed to the currency risk. Our profit margins will be negatively affected to the extent that we are unable to increase the selling prices of our products we sell to our customers if there is any appreciation of Euro against HK\$ affecting the purchase costs of our products. During the Track Record Period, we did not use any derivative financial instrument to hedge the currency risk. For further details of our currency risk, please refer to the paragraphs headed “Market risk — Currency risk” in this section.

## FINANCIAL INFORMATION

In addition, fluctuations in exchange rates between HK\$ and other currencies, primarily Euro, US\$ and RMB, affect the translation of our non-HK\$ denominated assets and liabilities into HK\$ when we prepare our financial statements and result in foreign exchange gains or losses which will affect our financial condition and results of operations.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Financial Information. These significant accounting policies are important for an understanding of our financial condition and results of operations and are disclosed in note 4 to the accountants' report set out in Appendix I to this prospectus.

In the application of our Group's accounting policies, our Directors are required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 5 to the accountants' report set out in Appendix I to this prospectus.

The following paragraphs discuss, among others, certain significant accounting policies, estimates and judgements applied in preparing our Group's Financial Information:

#### **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

In practice, we recognise revenue at the time of delivery of our products to our customers rather than the date of invoice, which is usually an earlier date by virtue of the lag time involved in making physical delivery of our products to our customers' address. Any delay in revenue recognition due to time required for inspection and acceptance by our customers is normally negligible.

## FINANCIAL INFORMATION

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Our management will reassess the estimations on a product-by-product basis at the end of the reporting period and write down for obsolete inventories will be made when necessary.

### **Financial assets**

Our Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, payments for life insurance policies, bank balances and cash, and amounts due from related companies and a Director) are measured at amortised cost using the effective interest method, less any identified impairment.

#### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Our Group's financial liabilities (other than derivative financial instrument), including trade and bills payables, other payables and accrued charges, bank borrowings and amount due to a related company, are subsequently measured at amortised cost, using the effective interest method.

#### *Derivative financial instrument*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

### **Operating leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out our consolidated statements of profit or loss and other comprehensive income for the four years ended 31 March 2018, as derived from the accountants' report set out in Appendix I to this prospectus:

	For the year ended 31 March			
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	173,805	202,112	183,444	190,839
Other income	63	384	313	501
Other gains and losses	7,377	(3,461)	1,743	(4,841)
Cost of inventories sold	(59,490)	(59,922)	(53,756)	(59,022)
Staff costs	(19,682)	(20,526)	(20,127)	(21,370)
Depreciation	(2,078)	(2,795)	(2,954)	(2,947)
Property rentals and related expenses	(38,743)	(46,474)	(50,183)	(50,190)
Other expenses	(17,590)	(43,235)	(17,039)	(26,086)
Finance costs	<u>(3,588)</u>	<u>(3,915)</u>	<u>(3,797)</u>	<u>(4,240)</u>
<b>Profit before taxation</b>	40,074	22,168	37,644	22,644
Taxation	<u>(7,055)</u>	<u>(7,815)</u>	<u>(6,972)</u>	<u>(5,538)</u>
<b>Profit and total comprehensive income for the year</b>	<u><u>33,019</u></u>	<u><u>14,353</u></u>	<u><u>30,672</u></u>	<u><u>17,106</u></u>
<b>Profit and total comprehensive income for the year attributable to:</b>				
Owners of our Company	33,014	14,229	30,637	17,077
Non-controlling interests	<u>5</u>	<u>124</u>	<u>35</u>	<u>29</u>
	<u><u>33,019</u></u>	<u><u>14,353</u></u>	<u><u>30,672</u></u>	<u><u>17,106</u></u>

For the three years ended 31 March 2018, our adjusted net profit for the year attributable to owners of our Company (after excluding our listing expenses of approximately HK\$12.0 million, HK\$1.2 million and HK\$9.1 million for the years ended 31 March 2016, 2017 and 2018 respectively, which were not expenses incurred in the ordinary and usual course of business) was approximately HK\$26.3 million, HK\$31.8 million and HK\$26.1 million respectively. Hence, we are able to satisfy the profit requirement under Rule 8.05(1) of the Listing Rules.

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND COMPARISON OF RESULTS OF OPERATION FOR THE FOUR YEARS ENDED 31 MARCH 2018

#### Revenue

##### (1) Revenue by product category and sub-category

During the Track Record Period, our revenue was principally generated from (i) the sales of tile products, including porcelain, ceramic and mosaic tiles; and (ii) the sales of bathroom fixtures and others.

The following table sets out a breakdown of our revenue by product category and sub-category for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Tile products								
— Porcelain tiles	159,947	92.0	182,666	90.4	165,763	90.4	173,997	91.2
— Ceramic tiles	5,327	3.1	7,813	3.9	10,706	5.8	5,661	3.0
— Mosaic tiles	<u>5,883</u>	<u>3.4</u>	<u>5,474</u>	<u>2.7</u>	<u>4,176</u>	<u>2.3</u>	<u>5,275</u>	<u>2.7</u>
Subtotal for tile products	171,157	98.5	195,953	97.0	180,645	98.5	184,933	96.9
bathroom fixtures and others <sup>(1)</sup>	<u>2,648</u>	<u>1.5</u>	<u>6,159</u>	<u>3.0</u>	<u>2,799</u>	<u>1.5</u>	<u>5,906</u>	<u>3.1</u>
Total	<u><u>173,805</u></u>	<u><u>100.0</u></u>	<u><u>202,112</u></u>	<u><u>100.0</u></u>	<u><u>183,444</u></u>	<u><u>100.0</u></u>	<u><u>190,839</u></u>	<u><u>100.0</u></u>

Note:

(1) Others primarily include cementitious materials for the installation of tiles.

From 2014, we had entered into certain exclusive distribution agreements with certain suppliers. As a result, our revenue generated from products with exclusive distribution rights amounted to approximately HK\$9.8 million, HK\$95.6 million, HK\$72.0 million and HK\$69.6 million, representing approximately 5.6%, 47.3%, 39.3% and 36.5% of our total revenue for the four years ended 31 March 2018, respectively.

Out of the total revenue from our products with exclusive distribution rights, for the four years ended 31 March 2018, the revenue from our tile products with exclusive distribution rights were approximately HK\$9.6 million, HK\$90.7 million, HK\$70.7 million and HK\$66.6 million respectively, while the revenue from our bathroom fixtures and others with exclusive distribution rights were approximately HK\$0.2 million, HK\$4.9 million, HK\$1.3 million and HK\$3.0 million respectively.



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### *Sales volume of tile products by product sub-category*

The following table sets out the sales volume of our tile products by product sub-category for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%
Tile products								
— Porcelain tiles	2,984	95.0	3,371	93.7	3,019	91.6	3,303	95.8
— Ceramic tiles	126	4.0	203	5.6	259	7.9	124	3.6
— Mosaic tiles	32	1.0	26	0.7	16	0.5	19	0.6
	<u>3,142</u>	<u>100.0</u>	<u>3,600</u>	<u>100.0</u>	<u>3,294</u>	<u>100.0</u>	<u>3,446</u>	<u>100.0</u>
Total								

### *Average unit selling price of tile products by product sub-category*

The following table sets out the average unit selling price of our tile products by product sub-category for the financial years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$/sq.ft.	HK\$/sq.ft.	HK\$/sq.ft.	HK\$/sq.ft.
Tile products				
— Porcelain tiles	53.6	54.2	54.9	52.7
— Ceramic tiles	42.3	38.5	41.3	45.7
— Mosaic tiles	183.8	210.5	261.0	277.6
Overall	54.5	54.4	54.8	53.7

Tile products are widely used to furnish indoor surface areas of residential and commercial premises, such as wall and floor. Our tile products consist of porcelain, ceramic and mosaic tiles. For the details of our tile products, please refer to the section headed “Business — Our products — Tile products” in this prospectus.

During the Track Record Period, porcelain tiles were our major tile products and our revenue from the sales of porcelain tiles represented approximately 93.5%, 93.2%, 91.8% and 94.1% of our total revenue from the sales of tile products respectively. As a result, the increase or decrease in the overall average unit selling price of our tile products (ranged from approximately HK\$53.7/sq.ft. to approximately HK\$54.8/sq.ft. during the Track Record Period) was mainly driven by the average unit selling price of our porcelain tiles.

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The average unit selling price of our mosaic tiles (ranged from approximately HK\$183.8/sq.ft. to approximately HK\$277.6/sq.ft. during the Track Record Period) was significantly higher than the average unit selling prices of our porcelain tiles (ranged from approximately HK\$52.7/sq.ft. to approximately HK\$54.9/sq.ft. during the Track Record Period) and ceramic tiles (ranged from approximately HK\$38.5/sq.ft. to approximately HK\$45.7/sq.ft. during the Track Record Period) mainly because mosaic tiles are usually used to make graphic patterns for decorative purposes, which are generally made of tiny porcelain, ceramic or glass materials and require more craftsmanship during the production process. The average unit selling price of our porcelain tiles was higher than the average unit selling price of our ceramic tiles mainly because porcelain tiles are more tolerant to heat and are more durable and moisture resistant than ceramic tiles.

### *Revenue from sales of tile products during the Track Record Period*

Our revenue from the sales of tile products increased by approximately 14.5% from approximately HK\$171.2 million for the year ended 31 March 2015 to approximately HK\$196.0 million for the year ended 31 March 2016 primarily attributable to (i) the increase in the sales volume of our tile products from approximately 3.1 million sq.ft. for the year ended 31 March 2015 to approximately 3.6 million sq.ft. for the year ended 31 March 2016; and (ii) the stable overall average unit selling price of our tile products of approximately HK\$54.5/sq.ft. and HK\$54.4/sq.ft. for the years ended 31 March 2015 and 2016 respectively. The increase in our sales volume was mainly due to the development of our business relationship with our PRC distributors for the distribution sales of our tile products.

Our revenue from the sale of tile products decreased by approximately 7.8% from approximately HK\$196.0 million for the year ended 31 March 2016 to approximately HK\$180.6 million for the year ended 31 March 2017 primarily attributable to (i) the decrease in the sales volume of our tile products from approximately 3.6 million sq.ft. for the year ended 31 March 2016 to approximately 3.3 million sq.ft. for the year ended 31 March 2017; and (ii) the stable overall average unit selling price of our tile products of approximately HK\$54.4/sq.ft. and HK\$54.8/sq.ft. for the years ended 31 March 2016 and 2017 respectively.

Our revenue from the sale of tile products gently increased by approximately 2.4% from approximately HK\$180.6 million for the year ended 31 March 2017 to approximately HK\$184.9 million for the year ended 31 March 2018, primarily attributable to the net effect of (i) the increase in the sales volume of our tile products from approximately 3.3 million sq.ft. for the year ended 31 March 2017 to approximately 3.4 million sq.ft. for the year ended 31 March 2018; and (ii) the gentle decrease in average unit selling price of our tile products from approximately HK\$54.8/sq.ft. for the year ended 31 March 2017 to approximately HK\$53.7/sq.ft. for the year ended 31 March 2018.

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### *Revenue from sales of bathroom fixtures and others during the Track Record Period*

Our bathroom fixtures mainly included ceramic bathroom fixtures (such as bath tubs, wash basins and toilet bowls) and non-ceramic bathroom fixtures (such as faucets, shower heads, mirrors and racks, and other accessories) while our other products primarily included cementitious materials for the installation of tiles. For the details of our bathroom fixtures, please refer to the section headed “Business — Our products — Bathroom Fixtures” in this prospectus. Our revenue from the sales of bathroom fixtures and others represented approximately 1.5%, 3.0%, 1.5% and 3.1% of our total revenue during the Track Record Period, respectively.

Our revenue from the sale of bathroom fixtures and others increased significantly by approximately 132.6% from approximately HK\$2.6 million for the year ended 31 March 2015 to approximately HK\$6.2 million for the year ended 31 March 2016 primarily attributable to (i) our effort for the diversification of our bathroom fixtures offerings, including certain brands which we obtained exclusive distributorship in the second half of the financial year ended 31 March 2015 and during the year ended 31 March 2016; and (ii) an increase in our distribution sales of bathroom fixtures and others from approximately HK\$0.4 million for the year ended 31 March 2015 to approximately HK\$4.1 million for the year ended 31 March 2016 mainly due to development of our business relationship with our PRC distributors for the distribution sales of our bathroom fixtures.

However, our revenue from the sale of bathroom fixtures and others decreased by approximately 54.6% from approximately HK\$6.2 million for the year ended 31 March 2016 to approximately HK\$2.8 million for the year ended 31 March 2017 primarily attributable to the decrease in our distribution sales of bathroom fixtures and others from approximately HK\$4.1 million for the year ended 31 March 2016 to approximately HK\$1.2 million for the year ended 31 March 2017. The Directors consider such decrease was mainly due to the launch of intensified regulatory and control measures of the PRC government to cool down the overheated property market in first and second-tier cities of the PRC since the fourth quarter of 2016, which resulted in the decline in demand of ultimate consumers in the PRC during the year ended 31 March 2017.

Our revenue from the sale of bathroom fixtures and others increased by approximately 111.0% from approximately HK\$2.8 million for the year ended 31 March 2017 to approximately HK\$5.9 million for the year ended 31 March 2018, primarily attributable to the increase in our distribution sales of bathroom fixtures and others from approximately HK\$1.2 million for the year ended 31 March 2017 to approximately HK\$3.4 million for the year ended 31 March 2018.

### **(2) Revenue by sales channel**

During the Track Record Period, we derived our revenue through the sales of our products to (i) retail customers at our retail shops in Hong Kong; and (ii) non-retail customers, mainly including project customers, such as developers, interior design companies and construction contractors, on project basis for large-scale property development projects, and residential and commercial property renovation projects in Hong Kong and Macau, and distributors located in the PRC. For further details of our customers, please refer the section headed “Business — Customers” in this prospectus.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue by sales channel for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Retail sales</b>								
— Tile products	150,276	86.5	145,774	72.1	144,160	78.6	142,347	74.6
— Bathroom fixtures and others	<u>2,112</u>	<u>1.2</u>	<u>1,836</u>	<u>0.9</u>	<u>1,447</u>	<u>0.8</u>	<u>2,014</u>	<u>1.0</u>
Subtotal for retail sales	152,388	87.7	147,610	73.0	145,607	79.4	144,361	75.6
<b>Non-retail sales</b>								
Project sales								
— Tile products	13,265	7.6	17,234	8.5	11,729	6.4	18,349	9.6
— Bathroom fixtures and others	<u>15</u>	<u>—</u>	<u>34</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>508</u>	<u>0.3</u>
	13,280	7.6	17,268	8.5	11,730	6.4	18,857	9.9
Distribution sales								
— Tile products	4,717	2.7	26,711	13.3	17,120	9.3	20,375	10.7
— Bathroom fixtures and others	<u>402</u>	<u>0.2</u>	<u>4,123</u>	<u>2.0</u>	<u>1,191</u>	<u>0.6</u>	<u>3,370</u>	<u>1.8</u>
	5,119	2.9	30,834	15.3	18,311	9.9	23,745	12.5
Others								
— Tile products	2,899	1.7	6,234	3.1	7,635	4.2	3,861	2.0
— Bathroom fixtures and others	<u>119</u>	<u>0.1</u>	<u>166</u>	<u>0.1</u>	<u>161</u>	<u>0.1</u>	<u>15</u>	<u>0.0</u>
	3,018	1.8	6,400	3.2	7,796	4.3	3,876	2.0
<i>Subtotal for non-retail sales</i>								
— Tile products	20,881	12.0	50,179	24.9	36,484	19.9	42,585	22.3
— Bathroom fixtures and others	<u>536</u>	<u>0.3</u>	<u>4,323</u>	<u>2.1</u>	<u>1,353</u>	<u>0.7</u>	<u>3,893</u>	<u>2.1</u>
	<u>21,417</u>	<u>12.3</u>	<u>54,502</u>	<u>27.0</u>	<u>37,837</u>	<u>20.6</u>	<u>46,478</u>	<u>24.4</u>
<b>Total</b>	<u><u>173,805</u></u>	<u><u>100.0</u></u>	<u><u>202,112</u></u>	<u><u>100.0</u></u>	<u><u>183,444</u></u>	<u><u>100.0</u></u>	<u><u>190,839</u></u>	<u><u>100.0</u></u>

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### *Sales volume of tile products by sales channel*

The following table sets out the sales volume of our tile products by sales channel for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%	'000 sq.ft.	%
Retail sales	2,483	79.0	2,380	66.1	2,369	71.9	2,285	66.3
Non-retail sales								
— Project sales	422	13.4	571	15.9	430	13.1	680	19.7
— Distribution sales	160	5.1	483	13.4	347	10.5	410	11.9
— Others	77	2.5	166	4.6	148	4.5	71	2.1
Subtotal for non-retail sales	<u>659</u>	<u>21.0</u>	<u>1,220</u>	<u>33.9</u>	<u>925</u>	<u>28.1</u>	<u>1,161</u>	<u>33.7</u>
Total	<u><u>3,142</u></u>	<u><u>100.0</u></u>	<u><u>3,600</u></u>	<u><u>100.0</u></u>	<u><u>3,294</u></u>	<u><u>100.0</u></u>	<u><u>3,446</u></u>	<u><u>100.0</u></u>

### *Average unit selling price of tile products by sales channel*

The following table sets out the average unit selling price of our tile products by sales channel for the financial years indicated:

	For the year ended 31 March			
	2015	2016	2017	2018
	HK\$/sq.ft.	HK\$/sq.ft.	HK\$/sq.ft.	HK\$/sq.ft.
Retail sales	60.5	61.2	60.9	62.3
Non-retail sales				
— Project sales	31.4	30.2	27.3	27.0
— Distribution sales	29.5	55.3	49.3	49.7
— Others	37.6	37.6	51.6	54.3
Overall for non-retail sales	31.7	41.1	39.4	36.7

The average unit selling price of our tile products for retail sales remained stable and ranged from approximately HK\$60.5/sq.ft. to approximately HK\$62.3/sq.ft. during the Track Record Period.

The average unit selling price of our tile products for non-retail sales ranged from approximately HK\$31.7/sq.ft. to approximately HK\$41.1/sq.ft. during the Track Record Period. The higher average unit selling price of our tile products of non-retail sales for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was primarily attributable to an increase in our unit selling prices of certain products through offering less discounts mainly to distributors located in the PRC to align with our retail prices after obtaining the exclusive distribution rights from certain suppliers since 2014. Nevertheless, the slight decrease in our average unit selling price of tile products for non-retail sales for

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the year ended 31 March 2017 was mainly due to the decrease in average unit selling price for our sales to PRC distributors through offering lower selling prices to them in order to cope with the decline in demand of ultimate consumers in the PRC.

The further decrease in average unit selling price of our tile products for non-retail sales for the year ended 31 March 2018 was mainly due to the decrease in average unit selling price for our project sales and the increase in proportion of project sales under our non-retail sales channel.

The average unit selling price of our tile products from retail sales was higher than that from non-retail sales mainly because we normally sell our products to non-retail customers at a higher discount given the scale of purchase made.

### *Revenue from retail sales during the Track Record Period*

As second hand property unit usually requires repairing or remodeling to fix any damage or enhance the appearance and durability of the home interior surface, and that our retail customers are predominantly home owners/renters, our Directors consider that the second hand property transaction volume in Hong Kong is a more relevant market indicator for our retail sales revenue as compared to the first hand property transaction volume.

Our revenue from retail sales decreased by approximately 3.1% from approximately HK\$152.4 million for the year ended 31 March 2015 to approximately HK\$147.6 million for the year ended 31 March 2016 primarily attributable to the decline in number of second hand residential property transactions in Hong Kong in 2015 as compared to 2014. According to Ipsos, the number of second hand residential property transactions were 46,950 in 2014 and 39,156 in 2015, representing a decline of approximately 16.6% over the years. As there is usually a time lag from the purchase of a second hand residential property unit to the handover of the property unit to the buyer who would then consider the requirement of home furnishing, our Directors consider the overall drop in second hand property transaction volume from 2014 to 2015 had attributed to the decrease in our retail sales for the year ended 31 March 2016 as compared to the year ended 31 March 2015, despite a slight increase in the average unit selling price from retail sales of our tile products from approximately HK\$60.5/sq.ft. for the year ended 31 March 2015 to approximately HK\$61.2/sq.ft. for the year ended 31 March 2016, and that the two retail shops which were opened in around the mid of the financial year ended 31 March 2015 had contributed a full-year revenue for the year ended 31 March 2016. Due to such market situation, our average monthly revenue per retail shop decreased from approximately HK\$794,000 for the year ended 31 March 2015 to approximately HK\$720,000 for the year ended 31 March 2016.

Our revenue from retail sales remained almost stable which only slightly decreased by approximately 1.4% from approximately HK\$147.6 million for the year ended 31 March 2016 to approximately HK\$145.6 million for the year ended 31 March 2017 primarily attributable to the continued sluggish second hand residential property market in 2016, which led to a further decrease in our sales demand in the retail market. According to Ipsos, the number of second hand residential property transactions further decreased to 37,908 in 2016, representing a decline of approximately 3.2% as compared to 2015. Further, according to Ipsos, the approximate number of retail shops in Hong Kong which mainly sold Italian or Spanish tiles increased from 68 in 2015 to 75 in 2016 and further increased to 79 in 2017. Hence, the competition in retail market of overseas manufactured tiles was intensified. Nevertheless, the average unit selling price from retail sales of our tile products remained relatively stable, being approximately HK\$61.2/sq.ft. and HK\$60.9/sq.ft. for the years ended 31 March 2016 and

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2017 respectively. As a result, our average monthly revenue per retail shop decreased from approximately HK\$720,000 for the year ended 31 March 2016 to approximately HK\$674,000 for the year ended 31 March 2017.

For the year ended 31 March 2018, our revenue from retail sales was approximately HK\$144.4 million, representing a slight decrease of approximately 0.9% from approximately HK\$145.6 million for the year ended 31 March 2017. Our Directors consider the competition of the retail market remained intense over the year, as evidenced by the continued increase in number of retail shops which mainly sold Italian or Spanish tiles as mentioned above (i.e. from 68 in 2015 to 75 in 2016 and further increased to 79 in 2017), and the number of such retail shops remained at the relatively high level of 78 in August 2018. As a result, although the average unit selling price of our retail sales of tile products slightly increased to approximately HK\$62.3/sq.ft. for the year ended 31 March 2018, due to the decrease in our retail sales volume, our average monthly revenue per retail shop remained at a comparable level of approximately HK\$672,000 for the year ended 31 March 2018 as compared to that of the year ended 31 March 2017.

### *Revenue from non-retail sales during the Track Record Period*

Our revenue from non-retail sales increased significantly by approximately 154.5% from approximately HK\$21.4 million for the year ended 31 March 2015 to approximately HK\$54.5 million for the year ended 31 March 2016. Such increase was primarily attributable to (i) an increase in our distribution sales from approximately HK\$5.1 million for the year ended 31 March 2015 to approximately HK\$30.8 million for the year ended 31 March 2016 due to increased sales efforts and development of business relationship with our PRC distributors for the distribution sales of our products in the PRC; (ii) an increase in our project sales from approximately HK\$13.3 million for the year ended 31 March 2015 to approximately HK\$17.3 million for the year ended 31 March 2016; and (iii) an increase in our other sales (primarily referring to sales to our corporate customers through direct sourcing) from approximately HK\$3.0 million for the year ended 31 March 2015 to approximately HK\$6.4 million for the year ended 31 March 2016.

Our revenue from non-retail sales decreased by approximately 30.6% from approximately HK\$54.5 million for the year ended 31 March 2016 to approximately HK\$37.8 million for the year ended 31 March 2017. Such decrease was primarily attributable to (i) a decrease in our distribution sales from approximately HK\$30.8 million for the year ended 31 March 2016 to approximately HK\$18.3 million for the year ended 31 March 2017; and (ii) a decrease in our project sales from approximately HK\$17.3 million for the year ended 31 March 2016 to approximately HK\$11.7 million for the year ended 31 March 2017. On the other hand, our revenue from other sales increased from approximately HK\$6.4 million for the year ended 31 March 2016 to approximately HK\$7.8 million for the year ended 31 March 2017.

Our revenue from non-retail sales increased from approximately HK\$37.8 million for the year ended 31 March 2017 to approximately HK\$46.5 million for the year ended 31 March 2018, representing an increase of approximately 22.8%. Such increase was primarily due to the net effect of (i) an increase in our distribution sales from approximately HK\$18.3 million for the year ended 31 March 2017 to approximately HK\$23.7 million for the year ended 31 March 2018; (ii) an increase in our project sales from approximately HK\$11.7 million for the year ended 31 March 2017 to approximately HK\$18.9

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million for the year ended 31 March 2018; and (iii) a decrease in our other sales from approximately HK\$7.8 million for the year ended 31 March 2017 to approximately HK\$3.9 million for the year ended 31 March 2018.

In terms of sales volume, although our non-retail sales volume increased by approximately 236 sq.ft. or 25.5% for year ended 31 March 2018 as compared to the year ended 31 March 2017, the effect of the increase in sales volume on revenue was partially offset by the overall decrease in average unit selling price of our non-retail sales from approximately HK\$39.4/sq.ft. for the year ended 31 March 2017 to approximately HK\$36.7/sq.ft. for the year ended 31 March 2018.

### (i) Distribution sales

For the year ended 31 March 2016, the significant increase in our distribution sales of tiles and bathroom fixtures in the PRC by approximately HK\$25.7 million was mainly due to the following reasons:

- (a) there had been growth in the PRC property market and hence increasing demand for building materials in the major cities, e.g. Shanghai, Guangzhou, Shenzhen and Beijing, where our PRC distributors' principal markets were located. According to Ipsos, there was a significant increase in the number of transactions in the second hand property markets in Shanghai, Guangzhou, Shenzhen and Beijing in 2015 as compared to 2014. Such significant increase in transaction volumes was mainly attributable to the favourable policies enacted by the regional government (including reduction of interest rate and property taxes) in those cities. As such, we consider that the growth of the property market in those cities had contributed to the strong local demand for imported tiles in Shanghai, Guangzhou, Shenzhen and Beijing for the year ended 31 March 2016;
- (b) we engaged in various marketing and promotional activities to boost our PRC distribution sales since 2015. We made extra efforts in understanding the consumer preferences and market trends in the PRC imported tile and bathroom fixtures market (particularly, in Shanghai, Guangzhou, Shenzhen and Beijing) and promoting our exclusive tiles and bathroom fixtures in the PRC, such as sending product samples for display at distributors' stores and allowing our distributors to operate using our trade names. For example, our distribution sales of a brand of high-end tiles and bathroom fixtures products only amounted to less than HK\$0.5 million for the year ended 31 March 2015 but with our effort in promoting such brand, we achieved distribution sales of tiles and bathroom fixtures of such brand amounted to a few million HK\$ for the year ended 31 March 2016;
- (c) the significant increase in our distribution sales and product margin from our distribution sales was also attributable to different product mix sold to our PRC distributors. As advised by our executive Directors, in exploring the PRC imported tiles and bathroom fixtures market, we tried to assess and understand the market by selling mainly mass-market or aged products with relatively lower prices to our PRC distributors during the year ended 31 March 2015. Having conducted the marketing and promotional activities mentioned in (b) above, we gained a better understanding of which products are better accepted in the PRC; and



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- (d) we obtained exclusive distribution rights of tiles and bathroom fixtures of certain European brands and hence we could raise our selling price of exclusive products to our distributors. For example, a bathroom fixtures manufacturer granted us exclusive distribution rights for sale of its brand of bathroom fixtures in Hong Kong, Macau and the PRC in February 2015 while two tile manufacturers granted us exclusive distribution rights for sale of their brands of tile products in Hong Kong and the PRC in June 2015, and Hong Kong and Macau in July 2015 respectively. As we became the only sourcing channel of tiles and bathroom fixtures of such European brands in the PRC, our PRC distributors can only purchase these exclusive tiles and bathroom fixtures from us.

However, upon the launch of intensified regulatory and control measures of the PRC government to suppress the overheated residential property market in first and second-tier cities of the PRC since the fourth quarter of 2016, the transaction volume in the residential property market cooled down, which our Directors believe to be a major factor leading to the decline in demand for our tiles and bathroom fixtures in the PRC and resulted in the significant decrease in our distribution sales by approximately 40.6% from approximately HK\$30.8 million for the year ended 31 March 2016 to approximately HK\$18.3 million for the year ended 31 March 2017.

For the year ended 31 March 2018, our revenue from distribution sales were approximately HK\$23.7 million, representing an increase of approximately 29.7% as compared to the year ended 31 March 2017. Such increase was primarily contributed by certain bulk purchases of our tile products by our PRC distributors for resale to their own property project customers in the PRC, which mitigated the effect of decline in customer demand in the PRC as a result of the cooling down of the residential property market due to the continued regulatory and control measures of the PRC government.

### (ii) Project sales

For the year ended 31 March 2016, the increase in our project sales by approximately HK\$4.0 million as compared to the year ended 31 March 2015 was mainly due to the increase in number of large-scale project customers (i.e. those project customers with total transaction amount over HK\$1.0 million) served during the year. Besides, as tile manufacturers became able to mimic the pattern of natural materials, tiles became an alternative to natural materials, such as marble, wood and stone. Our Directors consider and Ipsos agrees that as tiles can fit the interior design requirements of the buildings and are considered more cost-effective, in recent years, some property developers preferred tiles over natural materials in new property development projects.

However, for the year ended 31 March 2017, our project sales decreased by approximately HK\$5.5 million as compared to the year ended 31 March 2016, which was mainly attributable to the decrease in number of large-scale project customers served by us during the year.

For the year ended 31 March 2018, our revenue from project sales was approximately HK\$18.9 million, representing an increase of approximately HK\$7.1 million as compared to the year ended 31 March 2017. Such increase was mainly due to certain large-scale project sales served by us during the year ended 31 March 2018.

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### (iii) Other sales

Other sales mainly include direct sourcing which refers to sales to corporate customers who previously visited our retail shops and requested specifications, volume or discounts that our retail sales team could not offer due to our internal sales and marketing policy and were thus referred to the sales personnel in our head office to follow-up. Our Directors consider that the increase in our other sales for the year ended 31 March 2016 by approximately 112.1% or HK\$3.4 million as compared to the year ended 31 March 2015 was mainly attributable to (i) increased sales to corporate customers situated outside Hong Kong; (ii) more referrals from our retail sales team to our head office for direct sourcing, as confirmed by our executive Directors; and (iii) our Group being the only sourcing channel for corporate customers looking for tiles and bathroom fixtures of certain European brands which we obtained the exclusive distribution rights. For the year ended 31 March 2017, our other sales further increased by approximately 21.8% or HK\$1.4 million as compared to the year ended 31 March 2016, primarily due to bulk purchases by a corporate customer, namely customer E during the year ended 31 March 2017.

For the year ended 31 March 2018, our revenue from other sales decreased to approximately HK\$3.9 million. Such decrease was mainly due to the decrease in bulk purchases by Customer E from approximately HK\$5.3 million for the year ended 31 March 2017 to approximately HK\$3.2 million for the year ended 31 March 2018, as well as the decrease in number of corporate customers during the year.

### Other income

For the four years ended 31 March 2018, our other income amounted to approximately HK\$0.1 million, HK\$0.4 million, HK\$0.3 million and HK\$0.5 million, respectively. Our other income mainly consisted of income from government fund, compensation income from our suppliers in respect of damage products supplied to us, income from the sales of our sample products and income from our customers' deposits forfeited during the Track Record Period.

### Other gains and losses

During the Track Record Period, our gains and losses mainly consisted of (i) fair value change in derivative financial instrument; and (ii) net exchange gain (loss). The following table sets out a breakdown of our other gains and losses for the years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value change in derivative financial instrument	(1,427)	(1,554)	—	—
Net exchange gain (loss)	8,804	(1,907)	1,834	(4,832)
Loss on disposal of property, plant and equipment	—	—	(91)	(9)
<b>Total</b>	<u>7,377</u>	<u>(3,461)</u>	<u>1,743</u>	<u>(4,841)</u>

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Our fair value change in derivative financial instrument mainly represented the realised loss and unrealised fair value loss on our dual currency interest rate swap contract entered into with a bank. No such loss was recorded for the years ended 31 March 2017 and 2018 as we had terminated our derivative financial instrument with the bank in December 2015.

Our net exchange gain (loss) mainly represented the transactional exchange differences mainly arising from the settlement of our trade and other payables and bank borrowings denominated in Euro and the translational exchange differences mainly arising from the translation of our Euro-denominated trade and other payables and bank borrowings into HK\$. We would normally record a net exchange gain when there was an appreciation of HK\$ against Euro and record a net exchange loss when there was a depreciation of HK\$ against Euro.

We recognised a relatively great amount of net exchange gain of approximately HK\$8.8 million for the year ended 31 March 2015 (as compared to the net exchange loss of approximately HK\$1.9 million, net exchange gain of approximately HK\$1.8 million and net exchange loss of approximately HK\$4.8 million recognised for the years ended 31 March 2016, 2017 and 2018 respectively) mainly because of the exchange gain arising from the settlement or translation of our Euro-denominated trade and other payables and bank borrowings as a result of the rapid depreciation of Euro against HK\$ during the year ended 31 March 2015, where the relevant exchange rate depreciated from approximately EUR1: HK\$10.7 as at 1 April 2014 to approximately EUR1: HK\$8.3 as at 31 March 2015. For the years ended 31 March 2016, 2017 and 2018, the respective movements in exchange rate of Euro against HK\$ (EUR1: HK\$8.8 as at 31 March 2016, EUR1: HK\$8.3 as at 31 March 2017 and EUR1: HK\$9.7 as at 31 March 2018) were relatively small as compared to the year ended 31 March 2015, and as such, the respective amount of net exchange gain or loss was smaller for the three years ended 31 March 2018.

For the year ended 31 March 2018, Euro against HK\$ rebounded from a relatively low level of approximately EUR1: HK\$8.3 as at 1 April 2017 to approximately EUR1: HK\$9.7 as at 31 March 2018. As such, we recorded a net exchange loss of approximately HK\$4.8 million for the year ended 31 March 2018 while a net exchange gain of approximately HK\$1.8 million was recorded for the year ended 31 March 2017.

### **Cost of inventories sold and product margin**

Our cost of inventories sold remained stable at approximately HK\$59.5 million and HK\$59.9 million for the years ended 31 March 2015 and 2016 respectively, and decreased to approximately HK\$53.8 million for the year ended 31 March 2017. Despite the increase in our sales volume of tile products for the year ended 31 March 2016, our cost of inventories sold remained stable as compared to that of the year ended 31 March 2015, which was mainly due to the decrease in our average unit purchasing cost of tile products as a result of the overall lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared to the year ended 31 March 2015, which saved our overall purchase costs. The decrease in our cost of inventories sold for the year ended 31 March 2017 was mainly due to the decrease in our sales volume of tile products during the year.

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Despite the gentle increase in our revenue for the year ended 31 March 2018, our cost of inventories sold increased at a greater extent of approximately 9.8% to HK\$59.0 million for the year ended 31 March 2018. As advised by our executive Directors, such increase in our cost of inventories sold was mainly due to the relatively high average unit cost of those tile products in relation to certain bulk purchases by our PRC distributors for resale to their own property project customers in the PRC, as well as the general appreciation of Euro against HK\$ during the year ended 31 March 2018 which increased our overall purchase costs.

For the four years ended 31 March 2018, our overall product margin (which is equal to dividing the difference between our total revenue and our total cost of inventories sold by our total revenue, multiplied by 100%) was approximately 65.8%, 70.4%, 70.7% and 69.1% respectively. We had a higher overall product margin for the years ended 31 March 2016 and 2017 as compared to the year ended 31 March 2015 primarily attributable to (i) an overall lower exchange rate of Euro against HK\$ for the years ended 31 March 2016 and 2017 as compared to the year ended 31 March 2015 which led to a decrease in our unit procurement costs; and (ii) our unit selling price increment of certain products through offering less discounts mainly sold to our PRC distributors to align with our retail prices after obtaining the exclusive distribution rights from certain suppliers since 2014.

Our product margin increased from approximately 65.8% for the year ended 31 March 2015 to approximately 70.4% for the year ended 31 March 2016 primarily attributable to (i) an overall lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared to the year ended 31 March 2015; and (ii) our unit selling price increment of certain products through offering less discounts to our non-retail customers to align with our retail prices in respect of certain exclusive distribution rights obtained from 2014. Our product margin remained relatively stable for the year ended 31 March 2017, being approximately 70.7%, as compared to the year ended 31 March 2016.

Our product margin for the year ended 31 March 2018 gently decreased to approximately 69.1% as compared to approximately 70.7% for the year ended 31 March 2017. Such decrease was mainly attributable to (i) the decrease in product margin of our distribution sales for the year, primarily due to our price adjustment for our PRC distributors in view of the cooling down of the residential property market of the PRC as a result of the continued and intensified regulatory and control measures launched by the PRC government since the last quarter of 2016; and (ii) the decrease in product margin of our other sales for the year ended 31 March 2018 primarily due to the relatively high product margin of our sales of tile products to a corporate customer, namely Customer E during the year ended 31 March 2017.

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### *Cost of inventories sold and product margin by product category and sub-category*

Our cost of inventories sold mainly consisted of (i) purchase costs of our tile products sold; and (ii) purchase costs of our bathroom fixtures and others sold. During the Track Record Period, porcelain tiles were our major tile products and our cost of porcelain tiles represented approximately 92.8%, 89.9%, 90.4% and 91.6% of our total cost of inventories sold respectively. The following table sets out a breakdown of our cost of inventories sold for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Tile products								
— Porcelain tiles	55,174	92.8	53,887	89.9	48,590	90.4	54,104	91.6
— Ceramic tiles	1,721	2.9	2,567	4.3	3,576	6.6	1,580	2.7
— Mosaic tiles	1,924	3.2	1,690	2.8	805	1.5	1,053	1.8
Subtotal for tile products	58,819	98.9	58,144	97.0	52,971	98.5	56,737	96.1
Bathroom fixtures and others	671	1.1	1,778	3.0	785	1.5	2,285	3.9
Total	<u>59,490</u>	<u>100.0</u>	<u>59,922</u>	<u>100.0</u>	<u>53,756</u>	<u>100.0</u>	<u>59,022</u>	<u>100.0</u>

Cost of tile products was the major component of our cost of inventories sold during the Track Record Period. Our cost of tile products decreased from approximately HK\$58.8 million for the year ended 31 March 2015 to approximately HK\$58.1 million for the year ended 31 March 2016, and further decreased to approximately HK\$53.0 million for the year ended 31 March 2017, but increased to approximately HK\$56.7 million for the year ended 31 March 2018. Despite the increase in our sales volume of tile products for the year ended 31 March 2016, our cost of inventories sold of tile products slightly decreased as compared to that of the year ended 31 March 2015, which was mainly due to the decrease in our average unit purchasing cost of tile products, primarily as a result of the overall lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared to the year ended 31 March 2015, which saved our cost of purchase of tile products.

The decrease in our cost of inventories sold of tile products for the year ended 31 March 2017 as compared with the previous year was in line with the decrease in our sales volume of tile products.

For the year ended 31 March 2018, despite the sales volume of tile products only gently increased by approximately 4.6% as compared to the year ended 31 March 2017, the relevant cost of inventories sold increased by a greater extent of approximately 7.1%. As advised by our executive Directors, such increase was mainly due to the relatively high average unit cost of those tile products in relation to certain bulk purchases by our PRC distributors for resale to their own property project customers in the PRC, as well as the general appreciation of Euro against HK\$ during the year.

Our overall product margin was mainly affected by the product margin of our tile products which was approximately 65.6%, 70.3%, 71.2% and 69.3% for the four years ended 31 March 2018 respectively.

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The table below sets out the product margin of our tile products (which is equal to dividing the difference between the revenue from the sales of our tile products and our cost of tile products by the revenue from the sale of our tile products, multiplied by 100%) by product sub-category for the financial years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Tile products				
— Porcelain tiles	65.5%	70.5%	70.7%	68.9%
— Ceramic tiles	67.7%	67.1%	66.6%	72.1%
— Mosaic tiles	67.3%	69.1%	80.7%	80.0%
Product margin of tile products	65.6%	70.3%	71.2%	69.3%

### *Cost of inventories sold and product margin by sales channel*

Similar to our revenue by sales channel, our cost of inventories sold from retail sales represented a majority of our total cost of inventories sold, representing approximately 79.6%, 66.2%, 70.6% and 59.1% of our total cost of inventories sold for the four years ended 31 March 2018 respectively. The following table sets out a breakdown of our cost of inventories sold by sales channel for the financial years indicated:

	<b>For the year ended 31 March</b>							
	<b>2015</b>		<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Retail sales</b>								
— Tile products	47,166	79.3	39,397	65.8	37,830	70.4	34,640	58.7
— Bathroom fixtures and others	177	0.3	248	0.4	99	0.2	232	0.4
Subtotal for retail sales	47,343	79.6	39,645	66.2	37,929	70.6	34,872	59.1
<b>Non-retail sales</b>								
Project sales								
— Tile products	6,529	11.0	6,854	11.4	6,891	12.8	11,363	19.3
— Bathroom fixtures and others	—	—	17	—	—	—	204	0.3
	6,529	11.0	6,871	11.4	6,891	12.8	11,567	19.6
Distribution sales								
— Tile products	3,638	6.1	9,125	15.2	6,110	11.3	9,339	15.8
— Bathroom fixtures and others	486	0.8	1,454	2.5	615	1.2	1,814	3.1
	4,124	6.9	10,579	17.7	6,725	12.5	11,153	18.9
Others								
— Tile products	1,486	2.5	2,768	4.6	2,140	4.0	1,396	2.4
— Bathroom fixtures and others	8	—	59	0.1	71	0.1	34	0.0
	1,494	2.5	2,827	4.7	2,211	4.1	1,430	2.4
<i>Subtotal for non-retail sales</i>								
— Tile products	11,653	19.6	18,747	31.2	15,141	28.1	22,098	37.4
— Bathroom fixtures and others	494	0.8	1,530	2.6	686	1.3	2,052	3.5
	12,147	20.4	20,277	33.8	15,827	29.4	24,150	40.9
<b>Total</b>	<u>59,490</u>	<u>100.0</u>	<u>59,922</u>	<u>100.0</u>	<u>53,756</u>	<u>100.0</u>	<u>59,022</u>	<u>100.0</u>

## FINANCIAL INFORMATION

Our cost of inventories sold for retail sales, a major component of our cost of inventories sold, decreased from approximately HK\$47.3 million for the year ended 31 March 2015 to approximately HK\$39.6 million for the year ended 31 March 2016 and further decreased to approximately HK\$37.9 million for the year ended 31 March 2017 and approximately HK\$34.9 million for the year ended 31 March 2018.

Our cost of inventories sold for non-retail sales represented approximately 20.4%, 33.8%, 29.4% and 40.9% of our total cost of inventories sold during the Track Record Period, respectively, and amounted to approximately HK\$12.1 million, HK\$20.3 million, HK\$15.8 million HK\$24.2 million for the four years ended 31 March 2018 respectively.

The decrease in our cost of inventories sold for retail sales from approximately HK\$47.3 million for the year ended 31 March 2015 to approximately HK\$39.6 million for the year ended 31 March 2016 was primarily attributable to the effects of (i) an overall lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared to the year ended 31 March 2015 which led to a decrease in the unit procurement cost of our tile products; and (ii) a decrease in retail sales volume for tile products. The significant increase in our cost of inventories sold for non-retail sales from approximately HK\$12.1 million for the year ended 31 March 2015 to approximately HK\$20.3 million for the year ended 31 March 2016 was primarily due to an increase in non-retail sales volume for tile products.

The decreases in our cost of inventories sold, primary comprising cost of tile products, for retail sales, distribution sales and other sales for the year ended 31 March 2017 were generally in line with the decreases in sales volume of tile products during the year. On the other hand, despite the decrease in our sales volume from project sales for the year ended 31 March 2017, the cost of inventories for project sales was comparable to that of the year ended 31 March 2016, primary due to the overall higher average unit cost of tile products sold for the year ended 31 March 2017 as a result of change in product mix of tile products.

For the year ended 31 March 2018, the change in our cost of inventories sold for retail sales and non-retail sales was generally in line with the respective change in sales volume of our tile products during the year. However, the extent of increase in our cost of inventories sold for distribution sales for the year ended 31 March 2018 was substantially greater than the relevant increase in sales volume. As advised by our executive Directors, such increase in our cost of inventories was mainly due to the relatively higher average unit cost of those tile products in relation to certain bulk purchases by our PRC distributors for resale to their own property project customers in the PRC.

## FINANCIAL INFORMATION

The table sets out the product margin by sales channel (which is equal to dividing the difference between our revenue and cost of inventories sold by our revenue from each of the sales channel) for the financial years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Retail sales	68.9%	73.1%	74.0%	75.8%
Non-retail sales				
— Project sales	50.8%	60.2%	41.3%	38.7%
— Distribution sales	19.4%	65.7%	63.3%	53.0%
— Others	50.5%	55.8%	71.6%	63.1%
Overall for non-retail sales	43.3%	62.8%	58.2%	48.0%

During the Track Record Period, our product margin for retail sales (ranged from approximately 68.9% to approximately 75.8%) was generally higher than our product margin from non-retail sales (ranged from approximately 43.3% to approximately 62.8%) mainly because we normally sell our products to non-retail customers at higher discounts given the scale of purchase order.

### *Retail sales*

The increase in our product margin for retail sales from approximately 68.9% for the year ended 31 March 2015 to approximately 73.1% for the year ended 31 March 2016 was primarily attributable to the overall lower exchange rate of Euro against HK\$ during the year ended 31 March 2016 as compared with the previous year which saved our cost of purchase. Our product margin for retail sales for the year ended 31 March 2017 was approximately 74.0% which was comparable to that of the year ended 31 March 2016. For the year ended 31 March 2018, our product margin for retail sales slightly increased to approximately 75.8%, mainly due to the increase in proportion of sales of tile products with higher product margin.

### *Distribution sales*

During the year ended 31 March 2015, we supplied our products to our PRC distributors at an average product margin of approximately 19.4%, which was lower than the product margin of approximately 65.7% and 63.3% for the years ended 31 March 2016 and 2017 respectively, primarily because (i) we sold relatively more mass-market or aged inventories which we offered relatively lower selling prices to our PRC distributors during the year ended 31 March 2015; (ii) we raised our selling prices of certain products through offering less discounts to our PRC distributors to align with our retail prices after obtaining the exclusive distribution rights from certain suppliers during the year ended 31 March 2016; (iii) we sold more exclusive products to our PRC distributors for the years ended 31 March 2016 and 2017 (as compared to the year ended 31 March 2015) which we could charge a higher product margin; and (iv) there was a reduction in unit procurement costs as a result of overall lower exchange rates of Euro against HK\$ for the years ended 31 March 2016 and 2017 as compared to the year ended 31 March 2015.



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The product margin of our distribution sales for the year ended 31 March 2018 decreased to approximately 53.0% as compared to approximately 63.3% for the year ended 31 March 2017, primarily due to our general price adjustment for our tile products sold to our PRC distributors in view of the cooling down of the residential property market of the PRC as a result of the continued and intensified regulatory and control measures launched by the PRC government since the last quarter of 2016.

### *Project sales*

Our product margin for project sales increased from approximately 50.8% for the year ended 31 March 2015 to approximately 60.2% for the year ended 31 March 2016. As advised by our executive Directors, such increase was mainly due to the decrease in average unit cost of our tile products as a result of the overall lower exchange rate of Euro against HK\$ for the year ended 31 March 2016 as compared with the year ended 31 March 2015.

On the other hand, the decrease in our product margin of project sales from approximately 60.2% for the year ended 31 March 2016 to approximately 41.3% for the year ended 31 March 2017 was mainly due to the increase in average unit cost of tile products purchased as certain project customers purchased tile products with higher unit costs, and further that we charged a thinner product margin due to their scale purchases.

For the year ended 31 March 2018, our product margin of project sales decreased to approximately 38.7%, mainly due to the general appreciation of Euro against HK\$ during the year which resulted in an increase in average unit purchase cost of tile products in respect of our project sales.

### *Other sales*

The product margin of other sales of approximately 71.6% for the year ended 31 March 2017 was higher than the product margin of approximately 50.5% and 55.8% for the years ended 31 March 2015 and 2016 respectively. This was mainly due to (i) the higher average unit selling prices of certain tile products sold to a corporate customer, namely Customer E during the first half of the year ended 31 March 2017 which enabled us to charge a higher product margin; and (ii) the fact that the relevant cost of inventories in respect of a particular brand of tile products sold to Customer E during the second half of the year ended 31 March 2017 had been substantially written-off prior to the Track Record Period, resulting in minimal cost of inventories sold in respect of the relevant sales.

The decrease in product margin of our other sales for the year ended 31 March 2018 to approximately 63.1% as compared to approximately 71.6% for the year ended 31 March 2017 was primarily due to the higher product margin in respect of certain tile products sold to a corporate customer, namely Customer E during the year ended 31 March 2017 as explained above.

## FINANCIAL INFORMATION

A hypothetical sensitivity analysis of the approximate impact of 5% and 10% changes in our cost of inventories sold, with other variables remaining constant, on our profit after taxation for the year during the Track Record Period is illustrated below:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+5%	(2,484)	(2,502)	(2,244)	(2,464)
+10%	(4,967)	(5,003)	(4,489)	(4,928)
-5%	2,484	2,502	2,244	2,464
-10%	4,967	5,003	4,489	4,928

### Staff costs

For the four years ended 31 March 2018, our staff costs were relatively stable and amounted to approximately HK\$19.7 million, HK\$20.5 million, HK\$20.1 million and HK\$21.4 million, respectively. Our staff costs mainly included (i) Directors' emoluments; and (ii) our staff salaries and bonuses, retirement benefit scheme contributions and other staff benefit expenses.

A hypothetical sensitivity analysis of the approximate impact of 5% and 10% changes in our staff costs, with other variables remaining constant, on our profit after taxation for the year during the Track Record Period is illustrated below:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+5%	(822)	(857)	(840)	(892)
+10%	(1,643)	(1,714)	(1,681)	(1,784)
-5%	822	857	840	892
-10%	1,643	1,714	1,681	1,784

### Depreciation

For the four years ended 31 March 2018, our depreciation amounted to approximately HK\$2.1 million, HK\$2.8 million, HK\$3.0 million and HK\$2.9 million, respectively. Our depreciation mainly represented the depreciation of our leasehold improvements in our retail shops and motor vehicles.

The general increase in our depreciation during the Track Record Period was primarily attributable to our additions of leasehold improvements in relation to the opening of more retail shops and renovation of our new office, and a motor vehicle purchased during the Track Record Period.

## FINANCIAL INFORMATION

### Property rentals and related expenses

During the Track Record Period, our property rentals and related expenses mainly consisted of (i) rental expenses of our retail shops, warehouses and office premises; and (ii) building management fees and government rates of our leased properties. The following table sets out a breakdown of our property rentals and related expenses for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Rental expenses of:								
— Retail shops	31,672	81.7	37,069	79.8	41,457	82.6	41,615	82.9
— Warehouses	3,260	8.5	5,037	10.8	4,300	8.6	3,960	7.9
— Office premises	<u>1,818</u>	<u>4.7</u>	<u>2,058</u>	<u>4.4</u>	<u>1,893</u>	<u>3.8</u>	<u>2,093</u>	<u>4.2</u>
Subtotal	36,750	94.9	44,164	95.0	47,650	95.0	47,668	95.0
Building management fees and rates	<u>1,993</u>	<u>5.1</u>	<u>2,310</u>	<u>5.0</u>	<u>2,533</u>	<u>5.0</u>	<u>2,522</u>	<u>5.0</u>
Total	<u><u>38,743</u></u>	<u><u>100.0</u></u>	<u><u>46,474</u></u>	<u><u>100.0</u></u>	<u><u>50,183</u></u>	<u><u>100.0</u></u>	<u><u>50,190</u></u>	<u><u>100.0</u></u>

The increase in our property rentals and related expenses during the three years ended 31 March 2017 was primarily attributable to (i) the operating lease payments incurred for new retail shops opened; (ii) an increase in monthly rentals of certain retail shops upon the renewal of the relevant tenancy agreements during the period; and (iii) the increase in our rental for warehouses for the year ended 31 March 2016 before our relocation to the existing warehouse premises rented from a related company since August 2016. As a result of such relocation, our rental for warehouses decreased by approximately 14.6% for the year ended 31 March 2017 as compared with the previous year.

Our property rentals and related expenses for the year ended 31 March 2018 was comparable with that of the year ended 31 March 2017, being approximately HK\$50.2 million and HK\$50.2 million respectively.

A hypothetical sensitivity analysis of the approximate impact of 5% and 10% changes in our property rentals and related expenses, with other variables remaining constant, on our profit after taxation for the year during the Track Record Period is illustrated below:

	For the year ended 31 March			
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+5%	(1,618)	(1,940)	(2,095)	(2,095)
+10%	(3,235)	(3,881)	(4,190)	(4,191)
-5%	1,618	1,940	2,095	2,095
-10%	3,235	3,881	4,190	4,191

## FINANCIAL INFORMATION

### Other expenses

During the Track Record Period, our other expenses mainly consisted of (i) listing expenses in relation to the Listing; (ii) tax penalty in respect of our tax non-compliance and late payment surcharge for our overdue profits tax; (iii) transportation and delivery expenses of our products; (iv) bank charges; and (v) utilities. The following table sets out a breakdown of our other expenses for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Listing expenses	—	—	12,021	27.8	1,157	6.8	9,051	34.7
Tax penalty and late payment surcharge	—	—	11,267	26.1	—	—	—	—
Transportation and delivery expenses	11,237	63.9	11,073	25.6	7,837	46.0	9,323	35.7
Bank charges	1,986	11.3	2,209	5.1	2,287	13.4	2,280	8.8
Utilities	1,242	7.1	1,256	2.9	1,247	7.3	991	3.8
Others <sup>(1)</sup>	3,125	17.7	5,409	12.5	4,511	26.5	4,441	17.0
<b>Total</b>	<b><u>17,590</u></b>	<b><u>100.0</u></b>	<b><u>43,235</u></b>	<b><u>100.0</u></b>	<b><u>17,039</u></b>	<b><u>100.0</u></b>	<b><u>26,086</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) Others mainly represented legal and professional fees, telephone and communication expenses, repair and maintenance, insurance, travelling expenses, office expenses and miscellaneous expenses.

Our listing expenses mainly represented the professional services fees incurred to professional parties by our Company in relation to the Listing. For further details of listing expenses, please refer to the paragraphs headed “Listing expenses” in this section.

Our tax penalty and late payment surcharge represented the provision of a tax penalty charged by the IRD in respect of our tax non-compliance in prior years and surcharge at five percentage of our overdue profits tax imposed by the IRD. For further details of our tax non-compliance, please refer to the section headed “Business — Legal non-compliance — 2. Additional tax assessments and tax penalty for the years of assessment 2004/2005 to 2013/2014” in this prospectus.

Our transportation and delivery expenses mainly represented the freight charges incurred to third party freight forwarding companies for the transportation of our products from our suppliers and the delivery charges incurred to third party logistics companies for the delivery of our products to our customers during the Track Record Period. The decrease in such expenses for the year ended 31 March 2017 was due to the decrease in purchases and sales for the year. For the year ended 31 March 2018, the increase in such expenses as compared to the year ended 31 March 2017 was mainly due to the increase in freight charges incurred to cope with our increase in purchases for the year, while partially mitigated by the decrease in delivery expenses incurred for retail sales which declined as compared to that for the previous financial year.

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Our bank charges mainly represented the fees and charges made by banks to us for telegraphic transfers of our payments to our suppliers and credit card sales, etc. during the Track Record Period.

Our utilities mainly represented the water and electricity charges of our business premises paid for our business operations during the Track Record Period.

Excluding the non-recurring items of listing expenses and tax penalty and late payment surcharge, our other expenses would have been approximately HK\$17.6 million, HK\$19.9 million, HK\$15.9 million and HK\$17.0 million for the four years ended 31 March 2018 respectively. The increase during the year ended 31 March 2016 was primarily attributable to our expansion of retail network and business growth and the increase in audit fee and payment of professional fee for our tax representative to deal with our tax non-compliance issues. For the year ended 31 March 2017, the decrease was mainly due to the reduction in transportation and delivery expenses which was in line with the decrease in our purchases during the year. For the year ended 31 March 2018, the increase was mainly due to the increase in freight charges in respect of our purchases from overseas.

### Finance costs

During the Track Record Period, our finance costs mainly consisted of interest expenses on our bank borrowings. The following table sets out a breakdown of our finance costs for the financial years indicated:

	For the year ended 31 March							
	2015		2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Interest expenses on:								
Bank borrowings	3,587	100.0	3,841	98.1	3,776	99.4	4,240	100.0
Obligations under finance leases	<u>1</u>	<u>—</u>	<u>74</u>	<u>1.9</u>	<u>21</u>	<u>0.6</u>	<u>—</u>	<u>—</u>
Total	<u><u>3,588</u></u>	<u><u>100.0</u></u>	<u><u>3,915</u></u>	<u><u>100.0</u></u>	<u><u>3,797</u></u>	<u><u>100.0</u></u>	<u><u>4,240</u></u>	<u><u>100.0</u></u>

Our interest expenses on bank borrowings mainly represented the interest expenses incurred on our bank overdrafts, bank borrowings and trust receipt loans. The increase or decrease in our interest expenses on bank borrowings during the Track Record Period was in line with the level of our average bank borrowings.

Our interest expenses on obligations under finance leases mainly represented the interest expenses incurred on our finance lease payables. The increase in our interest expenses on obligations under finance leases for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was primarily attributable to interest expenses incurred for a new finance lease in respect of a motor vehicle purchased during the year ended 31 March 2016. The decrease in our interest expenses on obligations under finance leases for the year ended 31 March 2017 was due to the full settlement of finance lease obligations during the year, and as such, there was no such interest expense for the year ended 31 March 2018.

## FINANCIAL INFORMATION

### Taxation

Our taxation consisted of current tax and deferred tax of our Group. The following table sets out a breakdown of our taxation for the years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax:				
— Current year	7,288	7,827	6,736	5,908
— (Overprovision) underprovision in prior year	—	(26)	201	(61)
Deferred tax:				
— (Credit) charge for the year	<u>(233)</u>	<u>14</u>	<u>35</u>	<u>(309)</u>
<b>Total</b>	<b><u>7,055</u></b>	<b><u>7,815</u></b>	<b><u>6,972</u></b>	<b><u>5,538</u></b>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of (i) income or expense that are taxable or deductible in other years; and (ii) items that are never taxable or deductible. Our Group is subject to income tax at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

#### *Overseas income tax*

Under the rules and regulations of the BVI, we are not subject to any income tax in the BVI.

#### *Hong Kong profits tax*

Hong Kong profits tax was calculated at 16.5% on our estimated assessable profits arising in Hong Kong during the Track Record Period.

The increase in our taxation for the year ended 31 March 2016 and the decrease in our taxation for the years ended 31 March 2017 and 2018, as compared with the respective previous financial years were in line with the increase or decrease in our taxable profits during the Track Record Period.

Our effective income tax rates for the four years ended 31 March 2018 were approximately 17.6%, 35.3%, 18.5% and 24.5% respectively. The higher of such effective tax rates as compared to the applicable income tax rate of 16.5% for the Track Record Period was due to the effect of certain non-tax deductible expenses such as listing expenses, tax penalty and late payment surcharge, and certain finance cost for our borrowings used by certain related companies.

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Save as our tax non-compliance disclosed in the section headed “Business — Legal non-compliance — 2. Additional tax assessments and tax penalty for the years of assessment 2004/2005 to 2013/2014” in this prospectus, our Directors confirm that as at the Latest Practicable Date, (i) our Group has made all required tax filings under the relevant tax laws and regulations in Hong Kong and has paid all outstanding tax liabilities due; and (ii) our Group is not subject to any other dispute or potential dispute with the IRD.

### *Deferred tax*

Our deferred tax mainly represented the movement of our deferred tax assets arising from the accelerated tax depreciation of our property, plant and equipment.

### **Profit and total comprehensive income for the year attributable to owners of our Company**

Our profit and total comprehensive income for the year attributable to owners of our Company decreased by approximately 56.9% from approximately HK\$33.0 million for the year ended 31 March 2015 to approximately HK\$14.2 million for the year ended 31 March 2016 primarily attributable to a significant increase in our other expenses due to the listing expenses and tax penalty and late payment surcharge aggregating to approximately HK\$23.3 million. Excluding the effect of such non-recurring expenses for the year ended 31 March 2016, our profit and total comprehensive income for the year attributable to owners of our Company would have been approximately HK\$37.5 million, representing an increase of approximately 13.6% as compared to the year ended 31 March 2015.

Our profit and total comprehensive income for the year attributable to owners of our Company for the year ended 31 March 2017 was approximately HK\$30.6 million. Excluding the effect of the listing expenses of approximately HK\$1.2 million, our profit and total comprehensive income for the year attributable to owners of our Company would have been approximately HK\$31.8 million, representing a decrease of approximately 15.3% as compared to the year ended 31 March 2016 (on the same basis of excluding the effect of non-recurring expenses as mentioned above).

Our profit and total comprehensive income for the year attributable to owners of our Company was approximately HK\$17.1 million. Excluding the effect of the listing expenses of approximately HK\$9.1 million, our profit and total comprehensive income for the year attributable to owners of our Company would have been approximately HK\$26.1 million, representing a decrease of approximately HK\$5.7 million or 17.8% as compared to the year ended 31 March 2017 (on the same basis of excluding the effect of non-recurring expenses as mentioned above). Such decrease was mainly due to the incurring of a net exchange loss of approximately HK\$4.8 million for the year ended 31 March 2018 as compared to a net exchange gain of approximately HK\$1.8 million for the year ended 31 March 2017 due to the general appreciation of Euro against HK\$ over the year which increased our cost of settlement or translation of our Euro-denominated trade and other payables and bank borrowings.

## FINANCIAL INFORMATION

### DESCRIPTION AND ANALYSIS OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statements of financial position as at 31 March 2015, 2016, 2017 and 2018, as extracted from the accountants' report set out in Appendix I to this prospectus.

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>				
Property, plant and equipment	3,865	6,396	6,230	3,780
Deferred tax assets	528	514	479	788
Deposits and prepayments	14,559	15,556	16,310	16,771
Deposits for purchase of property, plant and equipment	<u>1,142</u>	<u>1,250</u>	<u>—</u>	<u>—</u>
	<u>20,094</u>	<u>23,716</u>	<u>23,019</u>	<u>21,339</u>
<b>Current assets</b>				
Inventories	56,913	66,533	61,142	73,398
Trade receivables	3,116	18,430	14,847	32,820
Deposits, prepayments and other receivables	2,565	7,232	7,625	8,586
Amount due from a Director	15,549	16,073	18,282	35,880
Amounts due from related companies	154,657	160,287	125,652	130,938
Bank balances and cash	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>	<u>6,308</u>
	<u>238,395</u>	<u>270,673</u>	<u>247,240</u>	<u>287,930</u>



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	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>				
Trade and bills payables	25,594	27,913	28,854	35,277
Other payables and accrued charges	10,314	15,779	12,635	19,603
Amount due to a related company	—	—	8,339	6,463
Tax payable	9,218	13,111	843	934
Obligation under finance lease	—	1,713	—	—
Bank borrowings	<u>141,999</u>	<u>173,493</u>	<u>126,536</u>	<u>136,834</u>
	<u>187,125</u>	<u>232,009</u>	<u>177,207</u>	<u>199,111</u>
<b>Net current assets</b>	<u>51,270</u>	<u>38,664</u>	<u>70,033</u>	<u>88,819</u>
<b>Total assets less current liabilities</b>	<u>71,364</u>	<u>62,380</u>	<u>93,052</u>	<u>110,158</u>
<b>Non-current liabilities</b>				
Derivative financial instrument	<u>3,337</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net assets</b>	<u><u>68,027</u></u>	<u><u>62,380</u></u>	<u><u>93,052</u></u>	<u><u>110,158</u></u>
<b>Capital and reserves</b>				
Share capital	17	—	—	—
Other reserve	—	17	17	17
Retained earnings	<u>68,002</u>	<u>62,231</u>	<u>92,868</u>	<u>109,945</u>
Equity attributable to owners of our Company	68,019	62,248	92,885	109,962
Non-controlling interests	<u>8</u>	<u>132</u>	<u>167</u>	<u>196</u>
<b>Total equity</b>	<u><u>68,027</u></u>	<u><u>62,380</u></u>	<u><u>93,052</u></u>	<u><u>110,158</u></u>

## FINANCIAL INFORMATION

### Property, plant and equipment

The following table sets out the net book values of our property, plant and equipment as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	3,078	2,992	4,042	2,876
Furniture and equipment	526	688	746	658
Computer equipment	261	155	110	144
Motor vehicles	<u>—</u>	<u>2,561</u>	<u>1,332</u>	<u>102</u>
<b>Total</b>	<u><u>3,865</u></u>	<u><u>6,396</u></u>	<u><u>6,230</u></u>	<u><u>3,780</u></u>

Our property, plant and equipment mainly included the leasehold improvements, representing approximately 79.6%, 46.8%, 64.9% and 76.1% of the total net book values of property, plant and equipment as at 31 March 2015, 2016, 2017 and 2018 respectively.

The increase in our net book values of property, plant and equipment from approximately HK\$3.9 million as at 31 March 2015 to approximately HK\$6.4 million as at 31 March 2016 was primarily attributable to our addition of a motor vehicle of approximately HK\$3.7 million during the year ended 31 March 2016. The slight decrease in net book value of property, plant and equipment as at 31 March 2017 as compared with that as at 31 March 2016 was mainly due to the net effect of (i) depreciation charged for the financial year; and (ii) the additions of leasehold improvements in respect of our office and a retail shop during the financial year.

The decrease in net book value as at 31 March 2018 mainly represented depreciation charged for the year ended 31 March 2018.

### Deferred tax assets

Deferred tax assets mainly represented temporary difference on depreciation arising from the accelerated tax depreciation of our property, plant and equipment.

## FINANCIAL INFORMATION

### Inventories

Our inventories principally comprised our products stored in our warehouses which we purchased from our suppliers for resale. The following tables set out our inventory balances as at the dates indicated and average inventory turnover days for the financial years indicated:

	<b>As at 31 March</b>			
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Finished goods	<u>56,913</u>	<u>66,533</u>	<u>61,142</u>	<u>73,398</u>
	<b>For the year ended 31 March</b>			
	<b>2015</b> <i>Days</i>	<b>2016</b> <i>Days</i>	<b>2017</b> <i>Days</i>	<b>2018</b> <i>Days</i>
Average inventory turnover days <sup>(1)</sup>	<u>307.5</u>	<u>377.0</u>	<u>433.5</u>	<u>416.0</u>

*Note:*

- (1) Average inventory turnover days is equal to the average of the opening and closing balances of inventories divided by cost of inventories sold for the financial year and multiplied by 365 days for the years ended 31 March 2015, 2017 and 2018, and 366 days for the year ended 31 March 2016.

Our inventories balance increased from approximately HK\$56.9 million as at 31 March 2015 to approximately HK\$66.5 million as at 31 March 2016 primarily due to (i) the increase in our stock up of inventories in order to accommodate our enlarged sales capacity as we expanded our retail network during the Track Record Period; and (ii) an increase in our product portfolio to differentiate ourselves from our competitors. Nevertheless, our inventories balance decreased to approximately HK\$61.1 million as at 31 March 2017 mainly due to the decrease in our purchases in response to the decrease in our sales during the year.

As advised by our executive Directors, the increase in our inventories balance to approximately HK\$73.4 million as at 31 March 2018 was mainly due to the increase in our stock up of inventories to cope with our expected increase in sales to certain project customers and PRC distributors subsequent to 31 March 2018.

The following table sets out an aging analysis of our inventories as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Within one year	42,248	43,720	30,966	44,717
One to two years	5,410	18,040	18,331	9,699
More than two but less than or equal to three years	7,189	1,574	10,975	11,758
More than three years	<u>2,066</u>	<u>3,199</u>	<u>870</u>	<u>7,224</u>
Total	<u>56,913</u>	<u>66,533</u>	<u>61,142</u>	<u>73,398</u>

## FINANCIAL INFORMATION

By regularly monitoring our inventory turnover, we will make appropriate adjustment to our product portfolio in order to capture our customer preference based on the latest market information and we may adopt different marketing plans to accelerate the sales of slow-moving stock.

It is our inventory provisioning policy that our accounts department will prepare inventory aging analysis annually and our Directors will assess whether there is any indication that the net realisable value of inventories fall below their respective cost after taking into account various factors, including but not limited to, (i) the costs of procurement; (ii) our recent selling prices for similar products; (iii) the market condition; and (iv) and our pricing policy. If there is indication that the net realisable value of inventories has fallen below the cost, we will determine the net realisable value of relevant inventories with reference to aforementioned factors and provide for the shortfall accordingly.

We did not provide any impairment on our inventories during the Track Record Period because (i) there had not been any indication that the net realisable value of our inventories fell below their respective procurement costs; (ii) there was sales of our relatively long-aged inventories; and (iii) our Directors consider that there was no concentration of obsolescence exposure and any obsolescence issue that may arise relating to a particular type of products could readily be dealt with by offering these products to the market at reasonable reduced prices.

Our average inventory turnover days generally increased during the Track Record Period primarily due to (i) our continuous expansion of product portfolio which requires us to maintain a higher inventory level of our products to accommodate such product offering to fulfil various needs from our retail customers during the Track Record Period; and (ii) our continuous introduction of new products sourced from overseas suppliers' network that we believe to be adequate in our warehouses to avoid any shortage of supplies and to ensure timely delivery of our products. However, such large inventory storage to cope with our large tile retailing network and the spare quantities of tile from each batch of bulk purchases for our project and corporate customers would also result in more leftover tiles which attributed to our long inventory turnover days. According to Ipsos, such long inventory turnover days are in line with industry norm.

As at the Latest Practicable Date, approximately HK\$20.0 million or 27.2% of our inventories as at 31 March 2018 was subsequently sold.

## FINANCIAL INFORMATION

### Trade receivables

Our trade receivables principally represented the receivables from our third party customers with bulk purchases for the sales of our products. The following tables set out our trade receivables balances as at the dates indicated and average trade receivable turnover days for the financial years indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:				
— Third parties	<u>3,116</u>	<u>18,430</u>	<u>14,847</u>	<u>32,820</u>
	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average trade receivable turnover days <sup>(1)</sup>	<u>11.2</u>	<u>19.5</u>	<u>33.1</u>	<u>45.6</u>

*Note:*

- (1) Average trade receivable turnover days is equal to the average of the opening and closing balances of trade receivables divided by revenue for the financial year and multiplied by 365 days for the years ended 31 March 2015, 2017 and 2018, and 366 days for the year ended 31 March 2016.

Our trade receivables remained at a relatively low level of approximately HK\$3.1 million as at 31 March 2015 primarily attributable to the fact that over 85% of our total revenue was generated from retail sales during the year ended 31 March 2015 with no credit period granted by us to our retail customers generally. Our trade receivables increased significantly to approximately HK\$18.4 million as at 31 March 2016 primarily attributable to the increase in our credit sales to distributors located in the PRC which we generally granted credit periods of 120 days, and the increase in our credit sales to project and corporate customers which generally have credit periods of 30 to 60 days. Our trade receivables decreased to approximately HK\$14.8 million as at 31 March 2017, primary due to the decrease in sales to our PRC distributors during the year ended 31 March 2017.

The increase in our trade receivables balance as at 31 March 2018 as compared to that as at 31 March 2017 was mainly attributable to the increase in our sales to PRC distributors from December 2017 to March 2018 and certain project and corporate customers during the first quarter of 2018 as compared to the corresponding periods for the year ended 31 March 2017.

## FINANCIAL INFORMATION

The following table sets out an aging analysis of our trade receivables as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	1,931	4,550	4,055	10,235
31 to 60 days	325	1,045	620	4,324
61 to 90 days	689	7,802	430	6,431
91 to 120 days	12	2,371	1,368	6,678
Over 120 days	<u>159</u>	<u>2,662</u>	<u>8,374</u>	<u>5,152</u>
<b>Total</b>	<u><u>3,116</u></u>	<u><u>18,430</u></u>	<u><u>14,847</u></u>	<u><u>32,820</u></u>

Generally, we did not grant any credit period to our retail customers. Credit period of 30 to 120 days was granted to our non-retail customers with bulk purchases, including credit period of generally 30 to 60 days for certain project and corporate customers and 120 days for our PRC distributors. No interest was charged on our trade receivables. Our short average trade receivable turnover days (which were less than or around one month) during the Track Record Period reflected our credit policy and practice as the majority proportion of our sales was retail sales which was mainly cash sales or settled with credit cards rather than sales with credit terms granted.

The increase in our average trade receivable turnover days from approximately 11.2 days for the year ended 31 March 2015 to approximately 19.5 days for the year ended 31 March 2016 was primarily attributable to an increase in our trade receivables in respect of credit sales to distributors located in the PRC. For the years ended 31 March 2017 and 2018, our average trade receivable turnover days further increased to approximately 33.1 days and 45.6 days respectively, which was mainly due to the overdue payments of our certain PRC distributors and corporate customers, especially, those trade receivables with aging over 120 days.

Our Group has policy regarding impairment losses on our trade receivables which is based on the evaluation of collectability and aging analysis and on our management's judgement, including the current creditworthiness and the past collection history of our each customer. As at 31 March 2015, 2016, 2017 and 2018, our trade receivables of approximately HK\$2.7 million, HK\$9.0 million, HK\$13.4 million and HK\$22.6 million respectively, were past due but not impaired. Since there was no significant change in credit quality and we still considered that such balances were recoverable based on the historical experience, we did not provide any allowance for bad and doubtful debts during the Track Record Period. Our Group did not hold any collateral over these balances.

As at the Latest Practicable Date, approximately HK\$14.5 million or 44.2% of our trade receivables as at 31 March 2018 was subsequently settled.

## FINANCIAL INFORMATION

### Deposits, prepayments and other receivables

The following table sets out a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and utilities deposits	9,005	9,766	10,939	11,256
Payments for life insurance policies	5,280	5,544	5,725	5,897
Prepayments and others	1,964	7,399	6,963	7,748
Other receivables and deposits	<u>875</u>	<u>79</u>	<u>308</u>	<u>456</u>
<b>Total</b>	17,124	22,788	23,935	25,357
Less: Non-current portion	<u>(14,559)</u>	<u>(15,556)</u>	<u>(16,310)</u>	<u>(16,771)</u>
<b>Current portion</b>	<u><u>2,565</u></u>	<u><u>7,232</u></u>	<u><u>7,625</u></u>	<u><u>8,586</u></u>

#### *Rental and utilities deposits*

Our rental and utilities deposits mainly represented our rental deposits placed for the operating leases of our retail shops, warehouses and office premises, and our utilities deposits, such as water and electricity deposits of these leased properties. The increase in our rental and utilities deposits from approximately HK\$9.0 million as at 31 March 2015 to approximately HK\$9.8 million as at 31 March 2016, and further to approximately HK\$10.9 million as at 31 March 2017 was primarily attributable to (i) rental deposits placed for new retail shops; (ii) an increase in the rental deposits upon renewal of tenancy agreements during the Track Record Period; and (iii) rental deposits paid for our existing warehouse rented from a related company in August 2016.

As there was no material change in the number or locations of our leased properties for the year ended 31 March 2018, our rental and utilities deposits of approximately HK\$11.3 million as at 31 March 2018 was comparable to the balance as at 31 March 2017.

## FINANCIAL INFORMATION

### *Payments for life insurance policies*

Our Group entered into two life insurance policies with two insurance companies to insure a Director. Under these policies, our Group is the beneficiary and policy holder and the total insured sums were approximately US\$1.0 million (equivalent to approximately HK\$7.8 million) and US\$2.5 million (equivalent to approximately HK\$19.6 million), respectively. Our Group was required to pay a single premium of approximately US\$0.3 million (equivalent to approximately HK\$2.0 million) and US\$0.5 million (equivalent to approximately HK\$3.9 million) at the commencement of the policies to these two insurance companies. Our Group can, at any time, withdraw cash back based on the account value of the policies at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policies. If withdrawal is made between the first to 15th policy year and the first to 18th policy year, respectively, there will be a specified amount of surrender charge deducted from account value. The insurance companies will pay our Group a guaranteed interest rate of 4.2% per annum and 4.25% per annum for the first year, respectively, and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% and 2.5%, respectively) during the effective period of the policies.

At the inception date of the policies, the upfront payment paid by our Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in our life insurance policies. The policy premium, expenses and insurance charges are recognised in profit or loss over the expected life of policies and our deposits placed are carried at amortised cost using the effective interest method. As represented by our Directors, our Group will not terminate the policies nor withdraw cash prior to 15th policy year and 18th policy year, respectively, and the expected life of the policies remained unchanged from the initial recognition.

### *Prepayments and others*

Our prepayments and others mainly represented our prepayments to our suppliers for the purchases of our products, prepaid rentals of certain retail shops and prepaid listing expenses in relation to the Listing. Our prepayments and others increased from approximately HK\$2.0 million as at 31 March 2015 to approximately HK\$7.4 million as at 31 March 2016 primarily attributable to the incurring of prepaid listing expenses of approximately HK\$4.1 million and prepaid rentals of approximately HK\$0.8 million. As at 31 March 2017, our prepayments and others decreased by approximately HK\$0.4 million to approximately HK\$7.0 million, primarily attributable to the recognition of prepaid rentals as expenses incurred and the decrease in prepayments to our suppliers.

As at 31 March 2018, our prepayments and others increased by approximately HK\$0.8 million, primarily attributable to further incurring of listing expenses and increase in prepayments to our suppliers.



## FINANCIAL INFORMATION

### Amounts due from a Director and related companies

The following table sets out a breakdown of our amounts due from a Director and related companies as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>	<b>2018</b> <i>HK\$'000</i>
Director				
— Mr. Tso	<u>15,549</u>	<u>16,073</u>	<u>18,282</u>	<u>35,880</u>
Related companies				
— Cyber Building Limited (“ <b>Cyber Building</b> ”)	48,845	50,488	53,529	57,547
— Denmark Investments Limited (“ <b>Denmark Investments</b> ”)	—	—	26,813	27,813
— Fortune Goldman Limited (“ <b>Fortune Goldman</b> ”)	61,626	64,969	—	—
— Happy Gear Limited (“ <b>Happy Gear</b> ”)	—	—	405	670
— Legent Ceramic Limited (“ <b>Legent Ceramic</b> ”)	36	36	36	36
— Wealth Goldman Limited (“ <b>Wealth Goldman</b> ”)	<u>44,150</u>	<u>44,794</u>	<u>44,869</u>	<u>44,872</u>
<b>Total</b>	<u><u>154,657</u></u>	<u><u>160,287</u></u>	<u><u>125,652</u></u>	<u><u>130,938</u></u>

All amounts were non-trade in nature, unsecured, interest-free and repayable on demand as at 31 March 2015, 2016, 2017 and 2018.

Our amount due from a Director mainly represented the fund advanced from us to Mr. Tso which was non-trade in nature. The increase from approximately HK\$15.5 million as at 31 March 2015 to approximately HK\$16.1 million as at 31 March 2016, and further to approximately HK\$18.3 million and HK\$35.9 million as at 31 March 2017 and 2018 respectively was primarily attributable to net fund advanced to Mr. Tso during the Track Record Period. Our Directors confirm that the outstanding amount as at 31 March 2018 will be fully settled before the Listing.

Our amounts due from related companies mainly represented the fund advanced from us to our certain related companies to finance their acquisition of properties in Hong Kong, including certain amounts financed by our banking facilities, and expenses of the related companies paid by our Group on their behalf. On the basis that the banking facilities of our Group contain the repayment on demand clause, our related companies are required to settle their outstanding balances when the banks exercise their rights to demand immediate repayment of borrowings by our Group. Our Directors confirm that the outstanding amounts as at 31 March 2018 will be fully settled before the Listing.

## FINANCIAL INFORMATION

We also provided corporate guarantees to certain banks in relation to their granting of banking facilities to certain related companies. Please refer to the paragraph headed “Contingent liabilities” in this section for details of corporate guarantee provided and assets pledged for the banking facilities of the related companies.

### Trade and bills payables

Our trade payables principally represented the payables to our suppliers for the purchases of our products, while our bills payables mainly represented our issued bills to our suppliers for the settlement of our trade payables. The following tables set out a breakdown of our trade and bills payables as at the dates indicated and average trade payable turnover days for the financial years indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	20,270	27,913	27,239	35,277
Bills payables	<u>5,324</u>	<u>—</u>	<u>1,615</u>	<u>—</u>
<b>Total</b>	<b><u>25,594</u></b>	<b><u>27,913</u></b>	<b><u>28,854</u></b>	<b><u>35,277</u></b>

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average trade payable turnover days <sup>(1)</sup>	<u>97.7</u>	<u>126.8</u>	<u>208.1</u>	<u>160.1</u>

*Note:*

- (1) Average trade payable turnover days is equal to the average of the opening and closing balances of trade payables divided by the total amount of purchase of goods for the financial year and multiplied by 365 days for the years ended 31 March 2015, 2017 and 2018, and 366 days for the year ended 31 March 2016.

Our trade and bills payables increased from approximately HK\$25.6 million as at 31 March 2015 to approximately HK\$27.9 million as at 31 March 2016, primarily due to the increase in our trade payables not yet due for settlement as at 31 March 2016 as compared to that as at 31 March 2015. Our trade and bills payable balance as at 31 March 2017 was approximately HK\$28.9 million, which was comparable to that as at 31 March 2016.

The increase in our trade and bills payable as at 31 March 2018 was in line with the increase in our inventories balance, being mainly attributable to the increase in our stock up of inventories to cope with our expected increase in sales to certain project customers and PRC distributors subsequent to 31 March 2018.

## FINANCIAL INFORMATION

The following table sets out an aging analysis of our trade payables as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	5,762	6,738	7,966	16,335
31 to 60 days	2,271	5,501	3,319	1,246
61 to 90 days	5,861	4,562	3,751	3,566
91 to 120 days	3,505	2,724	2,731	3,815
121 to 180 days	1,277	2,964	3,031	6,170
Over 180 days	<u>1,594</u>	<u>5,424</u>	<u>6,441</u>	<u>4,145</u>
<b>Total</b>	<u><u>20,270</u></u>	<u><u>27,913</u></u>	<u><u>27,239</u></u>	<u><u>35,277</u></u>

Generally, most of our suppliers granted us credit terms of 90 to 180 days pursuant to the purchase orders. Our average trade payable turnover days generally reflected our credit terms granted by our suppliers, while the relatively significant increase in our average trade payable turnover days from approximately 97.7 days and 126.8 days for the years ended 31 March 2015 and 2016 respectively to approximately 208.1 days for the year ended 31 March 2017 was mainly due to the decrease in our purchases during the year ended 31 March 2017. For the year ended 31 March 2018, our average trade payable turnover days decreased to approximately 160.1 days mainly due to the increase in our purchases during the year at a greater extent than the increase in the closing balance of trade payables.

As at the Latest Practicable Date, approximately HK\$25.4 million or 72.1% of our trade payables as at 31 March 2018 was subsequently settled. Our Directors confirm that our Group did not have material difficulty and default to repay our trade debts during the Track Record Period and up to the Latest Practicable Date.

### **Other payables and accrued charges**

The following table sets out a breakdown of our other payables and accrued charges as at the dates indicated:

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits received	7,325	4,480	4,981	7,576
Other payables and accrued charges	<u>2,989</u>	<u>11,299</u>	<u>7,654</u>	<u>12,027</u>
<b>Total</b>	<u><u>10,314</u></u>	<u><u>15,779</u></u>	<u><u>12,635</u></u>	<u><u>19,603</u></u>

## FINANCIAL INFORMATION

### *Deposits received*

Our deposits received mainly represented deposits placed by our customers for the purchases of our products. Our deposits received would be recognised as revenue upon physical delivery of our products to our customers. The fluctuation of our deposits received was primarily related to the amount of purchase orders received by us pending delivery of goods at the end of each financial year.

### *Other payables and accrued charges*

Our other payables and accrued charges mainly represented the payables of tax penalty and late charges, accrued listing expenses, accrued transportation and delivery expenses, accrued rental and accrued staff costs, mainly including our staff salaries, MPF and sales commission. The significant increase in our other payables and accrued charges from approximately HK\$3.0 million as at 31 March 2015 to approximately HK\$11.3 million as at 31 March 2016 was primarily attributable to (i) the accrual of our listing expenses of approximately HK\$5.7 million as at 31 March 2016; (ii) the accrual of our auditor's remuneration of approximately HK\$0.6 million as at 31 March 2016; (iii) the payable of the late payment surcharge of approximately HK\$0.6 million for our overdue profits tax; (iv) the accrued rentals for our temporary storage facility of approximately HK\$0.7 million; and (v) increase in accrued staff costs and rental expenses which were not paid on or before 31 March 2016. As at 31 March 2017, our other payable and accrued charges decreased by approximately HK\$3.6 million to approximately HK\$7.7 million, primarily attributable to (i) decrease in accrued listing expenses by approximately HK\$2.3 million; (ii) settlement of the late payment surcharge of approximately HK\$0.6 million accrued at 31 March 2016; and (iii) decrease in accrued staff costs by approximately HK\$0.3 million.

As at 31 March 2018, our other payable and accrued charges increased by approximately HK\$4.4 million to approximately HK\$12.0 million, primarily attributable to the net effect of (i) increase in accrued listing expenses by approximately HK\$4.3 million; (ii) increase in accrued transportation and delivery expenses by approximately HK\$0.6 million mainly in relation to freight charges for our purchase from suppliers; and (iii) decrease in other accrued expenses.

### **Amount due to a related company**

The amount due to a related company, namely Fortune Goldman, as at 31 March 2017 and 2018 is non-trade in nature, interest-free and repayable on demand.

### **Tax payable**

Tax payable represented Hong Kong profits tax payable charged at our taxable income derived in Hong Kong at the applicable tax rate of 16.5%.

### **Obligations under finance lease and bank borrowings**

Please refer to the paragraph headed "Indebtedness" in this section for details of our obligations under finance lease and bank borrowings as at 31 March 2015, 2016, 2017 and 2018.

## FINANCIAL INFORMATION

### Derivative financial instrument

Our derivative financial instrument (classified under non-current liabilities) represented the fair value of our dual currency interest rate swap contract, amounting to approximately HK\$3.3 million as at 31 March 2015. In accordance with our dual currency interest rate swap contract, our Group shall pay fixed interests at a rate of 0.5% per annum on the notional amount of approximately US\$5.1 million (equivalent to approximately HK\$40.0 million) semi-annually from 3 October 2011 to 2 October 2012 and floating interests at a rate based on pre-determined formula with a cap of 3.55% per annum from 3 October 2012 to 3 October 2018. In return, our Group shall receive floating interests at a rate of one-month HK\$ Hong Kong Interbank Offered Rate (“**HIBOR**”) on the notional amount of HK\$40.0 million monthly from 3 November 2011 to 3 October 2018.

On 21 December 2015, our Group terminated our derivative financial instrument with the bank at a consideration of approximately US\$0.3 million (equivalent to approximately HK\$2.5 million). As such, we did not have such non-current liabilities as at 31 March 2016, 2017 and 2018.

### LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations primarily through a combination of cash generated from our operating activities and bank borrowings. Our working capital requirements mainly comprised of costs of purchases, staff costs, operating lease rentals and related expenses payments, and capital investment primarily related to the opening of more retail shops, etc. We were able to repay our bank borrowings when they became due during the Track Record Period and to manage liquidity risks by maintaining adequate reserves, banking facilities, continuously monitoring forecasted and actual cash flows and matching the maturity profiles of assets and liabilities. We did not experience any liquidity shortage during the Track Record Period. In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities, banking facilities made available to us and the proceeds from the Share Offer.

We may need additional cash resources in the future if we experience changing business conditions or other business developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition and collaborations of other similar action. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities, or sell or issue equity securities, which might result in dilution to the Shareholders.

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### Cash flows

Our cash and cash equivalents amounted to approximately HK\$5.6 million, HK\$2.1 million, HK\$19.7 million and HK\$6.3 million as at 31 March 2015, 2016, 2017 and 2018, respectively. The following table sets out a condensed summary of our cash flows for the financial years indicated:

	<b>For the year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	45,843	28,044	44,486	29,841
Movements in working capital	<u>(4,895)</u>	<u>(22,814)</u>	<u>5,624</u>	<u>(18,260)</u>
Net cash generated from operations	40,948	5,230	50,110	11,581
Income tax paid	(1,624)	(1,268)	(19,205)	(5,756)
Purchase of tax reserve certificates/ tax deposits paid	<u>(2,275)</u>	<u>(2,640)</u>	<u>—</u>	<u>—</u>
Net cash from operating activities	37,049	1,322	30,905	5,825
Net cash (used in)/from investing activities	(16,638)	(30,403)	30,797	(23,391)
Net cash (used in)/from financing activities	<u>(18,074)</u>	<u>25,604</u>	<u>(44,128)</u>	<u>4,182</u>
Net increase/(decrease) in cash and cash equivalents	2,337	(3,477)	17,574	(13,384)
Cash and cash equivalents at the beginning of the year	<u>3,258</u>	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>
Cash and cash equivalents at the end of the year	<u><u>5,595</u></u>	<u><u>2,118</u></u>	<u><u>19,692</u></u>	<u><u>6,308</u></u>

### *Net cash from operating activities*

During the Track Record Period, we derived our cash from operating activities principally from the receipt of payments for the sales of our products from our customers. Our cash used in operating activities was mainly related to the payments for purchase costs of our products and expenses relating to operating activities.

Net cash from operating activities reflects our profit before taxation adjusted for: (i) non-cash items, such as depreciation and loss on written-off of property, plant and equipment, as well as fair value change in derivative financial instrument; (ii) the effects of changes in working capital, which mainly comprised inventories, trade receivables, deposits, prepayments and other receivables, trade and bills payables, and other payables and accrued charges; (iii) items not related to operating activities, such as finance costs; and (iv) payments related to income tax.

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For the year ended 31 March 2015, our net cash from operating activities was approximately HK\$37.0 million, comprising net cash from operations of approximately HK\$40.9 million, subtracted by income tax paid and purchase of tax reserve certificates/tax deposits paid of approximately HK\$1.6 million and HK\$2.3 million, respectively. Our net cash from operations comprised operating cash flows before movements in working capital of approximately HK\$45.8 million and net negative adjustments for changes in working capital of approximately HK\$4.9 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of approximately HK\$13.6 million mainly related to an increase in sales of our products, our enlarged sales capacity in respect of new retail shop openings and diversification of our product portfolio; (ii) a decrease in trade receivables of approximately HK\$4.5 million mainly due to the settlement of the majority of our trade receivables as at 31 March 2014; (iii) an increase in trade and bills payables of approximately HK\$5.1 million mainly in line with increases in our purchases and inventories; and (iv) a decrease in other payables and accrued charges of approximately HK\$1.6 million mainly due to a decrease in our deposits paid for the purchases of our products by our customers.

For the year ended 31 March 2016, our net cash from operating activities was approximately HK\$1.3 million, comprising net cash from operations of approximately HK\$5.2 million, subtracted by income tax paid and purchase of tax reserve certificates/tax deposits paid of approximately HK\$1.3 million and HK\$2.6 million, respectively. Our net cash from operations comprised operating cash flows before movements in working capital of approximately HK\$28.0 million and net negative adjustments for changes in working capital of approximately HK\$22.8 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of approximately HK\$9.6 million mainly due to an increase in sales of our products and diversification of our product portfolio; (ii) an increase in trade receivables of approximately HK\$15.3 million mainly due to an increase in credit sales to distributors located in the PRC; (iii) an increase in deposits, prepayments and other receivables of approximately HK\$5.7 million mainly attributable to additional rental deposits placed for the renewal of our tenancy agreements and increases in our prepayments of listing expenses; (iv) an increase in trade and bills payables of approximately HK\$2.3 million mainly due to an increase in the purchases of our products; and (v) an increase in other payables and accrued charges of approximately HK\$5.5 million mainly due to the accrual of our listing expenses, the payable of late payment surcharge in respect of our overdue profits tax and increases in accrued staff costs and rental expenses.

For the year ended 31 March 2017, our net cash from operating activities was approximately HK\$30.9 million, comprising net cash from operations of approximately HK\$50.1 million, subtracted by income tax paid of approximately HK\$19.2 million. Our net cash from operations comprised operating cash flows before movements in working capital of approximately HK\$44.5 million and net positive adjustments for changes in working capital of approximately HK\$5.6 million. Net positive adjustments for changes in working capital primarily reflected: (i) a decrease in inventories of approximately HK\$5.4 million mainly due to the decrease in our project sales and distribution sales, resulting in a decrease in our purchase; (ii) a decrease in trade receivables of approximately HK\$3.6 million mainly due to the decrease in our sales to distributors located in the PRC; (iii) an increase in deposits, prepayments and other receivables of approximately HK\$1.1 million mainly due to rental deposit paid for our existing warehouse used since August 2016; (iv) an increase in trade and bills payables of approximately HK\$0.9 million mainly due to an increase in bills payable for purchases of our products; and (v) a decrease in other payables and accrued charges of approximately HK\$3.1 million mainly due to the settlement of certain listing expenses and late payment surcharge in respect of our overdue profits tax accrued at 31 March 2016.

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For the year ended 31 March 2018, our net cash from operating activities was approximately HK\$5.8 million, comprising net cash from operations of approximately HK\$11.6 million, subtracted by income tax paid of approximately HK\$5.8 million. Our net cash from operations comprised operating cash flows before movements in working capital of approximately HK\$29.8 million and net negative adjustments for changes in working capital of approximately HK\$18.3 million. Net negative adjustments for changes in working capital primarily reflected: (i) an increase in inventories of approximately HK\$12.3 million mainly due to the increase in our stock up of inventories to cope with our expected increase of non-retail sales subsequent to 31 March 2018; (ii) an increase in trade receivables of approximately HK\$18.0 million mainly due to the increase in our sales to distributors located in the PRC from December 2017 to March 2018 and certain project and corporate customers during the first quarter of 2018 as compared to the corresponding periods for the year ended 31 March 2017; (iii) an increase in deposits, prepayments and other receivables of approximately HK\$1.4 million mainly due to increase in prepaid listing expenses and prepayments to our suppliers; (iv) an increase in trade and bills payables of approximately HK\$6.4 million mainly due to an increase in trade payables for purchases of our products; and (v) an increase in other payables and accrued charges of approximately HK\$7.0 million mainly due to the increase in accrued listing expenses and deposits received from customers.

### *Net cash (used in) from investing activities*

During the Track Record Period, our cash used in investing activities mainly consisted of purchases of property, plant and equipment, deposits paid for the acquisition of property, plant and equipment and advances to a Director and related companies. Our cash derived from investing activities mainly represented repayments from a Director and related companies.

For the year ended 31 March 2015, our net cash used in investing activities was approximately HK\$16.6 million, which mainly comprised (i) purchases of property, plant and equipment of approximately HK\$1.4 million mainly related to the leasehold improvements and furniture and equipment in our retail shops; and (ii) advances of approximately HK\$25.1 million and HK\$1.2 million to a Director and related companies, respectively, and partially offset by repayments of approximately HK\$9.7 million and HK\$2.6 million from a Director and related companies, respectively.

For the year ended 31 March 2016, our net cash used in investing activities was approximately HK\$30.4 million, which mainly comprised (i) purchases of property, plant and equipment of approximately HK\$1.3 million mainly related to the leasehold improvements and furniture and equipment in our retail shops; (ii) payment of approximately HK\$2.5 million for the termination of our derivative financial instrument; and (iii) advances of approximately HK\$28.0 million and HK\$8.8 million to a Director and related companies, respectively, and partially offset by repayments of approximately HK\$7.5 million and HK\$3.2 million from a Director and related companies, respectively.

For the year ended 31 March 2017, our net cash from investing activities was approximately HK\$30.8 million, which mainly comprised repayments of approximately HK\$6.3 million and HK\$100.5 million from a Director and related companies, respectively, and partially offset by (i) purchases of property, plant and equipment of approximately HK\$2.4 million mainly related to the leasehold improvements and furniture and equipment in our office and retail shops; and (ii) advances of approximately HK\$8.5 million and HK\$65.1 million to a Director and related companies, respectively.



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For the year ended 31 March 2018, our net cash used in investing activities was approximately HK\$23.4 million, which mainly comprised (i) purchases of property, plant and equipment of approximately HK\$0.5 million mainly related to furniture and equipment in our retail shops; and (ii) advances of approximately HK\$22.8 million and HK\$5.3 million to a Director and related companies, respectively, and partially offset by repayments of approximately HK\$5.2 million from a Director.

### *Net cash (used in) from financing activities*

During the Track Record Period, our cash derived from financing activities mainly consisted of new bank borrowings and advance from a related company. Our cash used in financing activities mainly consisted of interest payments and repayments of bank borrowings and obligations under finance leases.

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK\$18.1 million, which mainly comprised (i) interest payments mainly in relation to our bank borrowings and obligations under finance leases of approximately HK\$3.6 million; and (ii) repayments of our bank borrowings of approximately HK\$57.4 million, and partially offset by new bank borrowings raised of approximately HK\$43.0 million.

For the year ended 31 March 2016, our net cash from financing activities was approximately HK\$25.6 million, which was mainly contributed by new bank borrowings raised of approximately HK\$63.2 million, and partially offset by (i) interest payments of approximately HK\$3.9 million mainly in relation to our bank borrowings and obligations under finance leases ; (ii) repayments of our bank borrowings of approximately HK\$31.7 million; and (iii) repayments of our obligations under finance leases of approximately HK\$2.0 million.

For the year ended 31 March 2017, our net cash used in financing activities was approximately HK\$44.1 million, which mainly comprised (i) interest payments mainly in relation to our bank borrowings and obligations under finance leases of approximately HK\$3.8 million; (ii) repayments of our bank borrowings of approximately HK\$145.5 million; and (iii) repayments of our obligations under finance leases of approximately HK\$1.7 million, and partially offset by new bank borrowings raised of approximately HK\$98.5 million and advance from a related company of approximately HK\$8.3 million.

For the year ended 31 March 2018, our net cash from financing activities was approximately HK\$4.2 million, which was mainly contributed by new bank borrowings raised of approximately HK\$123.7 million, and substantially offset by (i) interest payments in relation to our bank borrowings of approximately HK\$4.2 million; (ii) repayment to a related company of approximately HK\$1.9 million; and (iii) repayments of our bank borrowings of approximately HK\$113.4 million.

### **Sufficiency of working capital**

Taking into account the financial resources available to us, cash flows generated from our operations and the estimated proceeds from the Share Offer, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

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### Net current assets

The following tables sets out a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 March				As at 31 July 2018
	2015	2016	2017	2018	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
<b>Current assets</b>					
Inventories	56,913	66,533	61,142	73,398	67,108
Trade receivables	3,116	18,430	14,847	32,820	34,758
Deposits, prepayments and other receivables	2,565	7,232	7,625	8,586	12,515
Amount due from a Director	15,549	16,073	18,282	35,880	35,382
Amounts due from related companies	154,657	160,287	125,652	130,938	131,585
Bank balances and cash	5,595	2,118	19,692	6,308	4,315
	238,395	270,673	247,240	287,930	285,663
<b>Current liabilities</b>					
Trade and bills payables	25,594	27,913	28,854	35,277	27,969
Other payables and accrued charges	10,314	15,779	12,635	19,603	21,223
Amount due to a related company	—	—	8,339	6,463	6,462
Tax payable	9,218	13,111	843	934	1,265
Obligation under finance lease	—	1,713	—	—	—
Bank borrowings	141,999	173,493	126,536	136,834	131,956
	187,125	232,009	177,207	199,111	188,875
<b>Net current assets</b>	<b>51,270</b>	<b>38,664</b>	<b>70,033</b>	<b>88,819</b>	<b>96,788</b>

Our net current assets decreased by approximately HK\$12.6 million from approximately HK\$51.3 million as at 31 March 2015 to approximately HK\$38.7 million as at 31 March 2016, which was primarily attributable to the declaration of an interim dividend of HK\$20.0 million by RBMS HK to offset part of our amount due from a Director, partially offset by our profit generated for the year ended 31 March 2016. The decrease in our net current assets was mainly represented by (i) an increase in our other payables and accruals mainly due to the accrual of our listing expenses; (ii) an increase in tax payable; and (iii) an increase in our bank borrowings mainly for short term financing of our business operations, and partially offset by (i) an increase in our inventories mainly due to an increase in sales of our products and diversification of our product portfolio; (ii) an increase in our trade receivables

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primarily attributable to an increase in credit sales to distributors located in the PRC; (iii) an increase in deposits, prepayments and other receivables primarily attributable to our prepaid listing expenses; and (iv) an increase in amounts due from related companies.

Our net current assets increased to approximately HK\$70.0 million as at 31 March 2017, which was primarily attributable to our profit generated for the year ended 31 March 2017. The increase in our net current assets was mainly represented by (i) an increase in our bank balances and cash; (ii) a decrease in tax payable; and (iii) a decrease in our bank borrowings upon our repayment of certain bank loans during the year, and partially offset by (i) a decrease in our inventories due to decrease in our purchases as resulting from decline in sales; (ii) a decrease in our trade receivables due to decline in our project sales and distribution sales during the year; (iii) a decrease in our amounts due from related companies during the year; and (iv) an advance made to a related company during the year.

Our net current assets further increased to approximately HK\$88.8 million as at 31 March 2018, which was primarily attributable to our profit generated for the year ended 31 March 2018. The increase in our net current assets was mainly represented by (i) an increase in our inventories due to the increase in our stock up of inventories to cope with expected sales; (ii) an increase in our trade receivables due to the increase in our sales to distributors located in the PRC from December 2017 to March 2018 and certain project and corporate customers during the first quarter of 2018 as compared to the corresponding periods for the year ended 31 March 2017; and (iii) an increase in amount due from a director, and partially offset by (i) a decrease in bank balances and cash; (ii) an increase in trade and bills payables for purchases of our products; (iii) an increase in other payables and accrued charges mainly due to the increase in accrued listing expenses and deposits received from customers; and (iv) an increase in our bank borrowings mainly for short term financing of our business operations.

Our net current assets increased by approximately HK\$8.0 million to approximately HK\$96.8 million as at 31 July 2018, which was primarily attributable to our profit generated for the four months ended 31 July 2018. The increase in our net current assets was mainly reflected by the net effect of (a) the decrease in total current assets by approximately HK\$2.3 million, mainly represented by the decrease in inventories due to subsequent sales of inventories stocked up at 31 March 2018 for expected increase in sales during the four months ended 31 July 2018; and (b) the decrease in total current liabilities by a greater extent of approximately HK\$10.2 million, mainly represented by the decrease in trade and bills payables due to settlements for suppliers and the decrease in bank borrowings due to partial repayment.

We had relatively higher current liabilities as at 31 March 2016 as compared to other financial year ends primarily because of (i) an increase in our other payables and accruals mainly due to the accrual of our listing expenses, the payable of late payment surcharge for our overdue profits tax and increases in accrued staff and rental expenses; (ii) an increase in income tax payable; and (iii) an increase in our total debts (including bank borrowings and obligations under finance leases) mainly due to increased bank borrowings for short term financing of our business operations and a new finance lease in respect of a motor vehicle purchased.

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### INDEBTEDNESS

#### Bank borrowings

The following tables sets out a breakdown of our bank borrowings as at the dates indicated:

	As at 31 March				As at 31 July
2015	2016	2017	2018	2018	2018
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured and guaranteed:					(unaudited)
Bank overdrafts	4,693	16,410	—	8,638	13,206
Bank loans	137,306	155,913	126,536	126,221	115,694
Trust receipt loans	—	1,170	—	1,975	3,056
Total	141,999	173,493	126,536	136,834	131,956

Our bank borrowings carried at floating rates of HIBOR plus 1.0% to 4.0% or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rates ranged from approximately 1.24% to 4.25%, 1.23% to 3.25%, 2.44% to 3.75%, 2.25% to 5.00% and 2.25% to 5.25% as at 31 March 2015, 2016, 2017 and 2018, and 31 July 2018, respectively.

As confirmed by our executive Directors, as at 31 March 2015, 2016, 2017 and 2018 and 31 July 2018, approximately HK\$136.2 million, HK\$159.9 million, HK\$116.5 million, HK\$131.5 million and HK\$129.3 million of our total bank borrowings were secured by related companies' Hong Kong properties, respectively.

Our bank borrowings increased from approximately HK\$142.0 million as at 31 March 2015 to approximately HK\$173.5 million as at 31 March 2016 primarily attributable to an increase in our bank loans and overdrafts for short term financing of our business operations. Our bank borrowings decreased from approximately HK\$173.5 million as at 31 March 2016 to approximately HK\$126.5 million as at 31 March 2017 primarily attributable to the repayment of our bank borrowings during the year ended 31 March 2017. Our bank borrowings increased from approximately HK\$126.5 million as at 31 March 2017 to approximately HK\$136.8 million as at 31 March 2018 primarily attributable to an increase in our bank loans and overdrafts for short term financing of our business operations. The decrease in our bank borrowings to approximately HK\$132.0 million as at 31 July 2018 was mainly due to partial repayment of our bank loans.

As at 31 March 2015, 2016 and 2017 and 2018, our bank borrowings were secured by the properties owned by certain related companies, including Cyber Building, Denmark Investments, Fortune Goldman, Happy Gear and Wealth Goldman, life insurance policies with carrying amounts of approximately HK\$5.3 million, HK\$5.5 million, HK\$5.7 million and HK\$5.9 million as at 31 March 2015, 2016 and 2017 and 2018, respectively, corporate guarantees from certain related companies, including Denmark Investments, Wealth Goldman, Fortune Goldman and Cyber Building, and personal guarantee from Mr. Tso.

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As at 31 July 2018, our bank borrowings were secured by the properties owned by certain related companies, including Cyber Building, Denmark Investments, Fortune Goldman, Happy Gear and Wealth Goldman, life insurance policies, corporate guarantees from certain related companies, including Denmark Investments, Wealth Goldman, Fortune Goldman and Cyber Building, and personal guarantee from Mr. Tso.

Our Directors confirm that the securities of related companies' Hong Kong properties and the guarantees provided by our Director and related companies for our bank borrowings will be released and replaced by corporate guarantees provided by our Company upon the Listing.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings. We have been able to repay our borrowings when they became due and payable. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material default with regard to covenants and/or breaches of covenants under bank borrowings. In addition, our Directors confirm that there are no material covenants in our existing bank borrowings that impose a substantial limitation on our ability to obtain further financing.

### **Obligation under finance lease**

As at 31 March 2015, 2016, 2017 and 2018, we had secured obligation under finance lease of nil, approximately HK\$1.7 million, nil and nil, respectively, in relation to finance lease of a motor vehicle, respectively. As at 31 July 2018, we had no obligation under finance lease. The lease term in respect of the finance lease as at 31 March 2016 was one and a half years. Interest rates underlying all obligation under finance lease was fixed at contract date at 3.18% per annum for the year ended 31 March 2016. The increase in our obligation under finance lease as at 31 March 2016 as compared to 31 March 2015 was due to a new finance lease in respect of a motor vehicle purchased during the year ended 31 March 2016. All our obligation under financial lease was fully repaid as at 31 March 2017.

### **Amount due to a related company**

As at 31 March 2017 and 2018 and 31 July 2018, we had unsecured and unguaranteed amount due to a related company of approximately HK\$8.3 million, HK\$6.5 million and HK\$6.5 million, respectively. Our Directors confirm that the amounts will be fully settled prior to the Listing.

### **Banking facilities**

As at 31 March 2015, 2016, 2017 and 2018, the total credit facilities granted to our Group amounted to approximately HK\$242.2 million, HK\$221.5 million, HK\$205.7 million and HK\$179.5 million, respectively, of which approximately HK\$142.0 million, HK\$173.5 million, HK\$126.5 million and HK\$136.8 million has been utilised, respectively.

As at 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement, the total credit facilities granted to our Group amounted to approximately HK\$185.3 million, of which approximately HK\$53.4 million (including approximately HK\$35.6 million related to trade financing facilities) has not been utilised and was unrestricted and may be drawn down or utilised at any time.

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Our credit facilities were secured and guaranteed and the terms and limits of these credit facilities are generally reviewed by the banks each year. The details of securities and guarantees of our undrawn credit facilities as at 31 July 2018 were disclosed in the paragraph headed “Indebtedness — Bank borrowings” in this section above.

The total arrangement fees or other related charges to obtain our credit facilities for the Track Record Period amounted to approximately HK\$0.6 million.

The following sets out a summary of the material conditions that may be associated to our outstanding credit facilities as at 31 July 2018:

- the loan proceeds are only for specific use as described in the credit facility letters;
- the borrower shall inform the banks of any change of shareholding, scope of business, debt financing or any other significant event, etc., which may affect its performance of obligations under the credit facilities;
- the borrowing shall not be prepaid unless with the consent of the banks, and some of the banks may also impose a charge for such prepayment;
- the borrower shall channel certain amount or percentage of annual bills or credit turnover in the banks; and/or
- the banks shall have the right at their sole discretion to demand immediate repayment at any time irrespective of whether we have complied with the covenants and met the scheduled repayment obligations.

### **Debt securities**

As at 31 July 2018 (being the latest practicable date for the purpose of this indebtedness statement), we had no debt securities issued, outstanding or authorised or otherwise created but unissued.

### **Contingent liabilities**

On 10 August 2009, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$42.0 million to Asian Wealth Limited (“**Asian Wealth**”) for a maturity period of 30 years. The banking facilities are also pledged by premises in Hong Kong owned by Asian Wealth. As at 31 March 2015 and 2016, Asian Wealth has utilised the banking facilities of approximately HK\$35.1 million and HK\$33.8 million, respectively. During the Track Record Period, there was no default payment by Asian Wealth. On 23 May 2016, this financial guarantee has been released.

On 16 August 2010, RBMS HK provided a corporate guarantee to a bank in relation to the granting of aggregate banking facilities of approximately HK\$35.4 million to Denmark Investments and Wealth Goldman for a maturity period of 20 years. The banking facilities are also pledged by premises in Hong Kong owned by Denmark Investments. As at 31 March 2015 and 2016, Denmark Investments

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and Wealth Goldman utilised the banking facilities of approximately HK\$28.1 million and HK\$26.4 million, respectively. During the Track Record Period, there was no default payment by Denmark Investments and Wealth Goldman. On 21 October 2016, this financial guarantee has been released.

On 29 February 2012, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$28.5 million to Cyber Building for a maturity period of 15 years. The banking facilities are also pledged by premises in Hong Kong owned by Cyber Building. As at 31 March 2015, 2016, 2017, and 2018 and 31 July 2018, Cyber Building utilised the banking facilities of approximately HK\$23.7 million, HK\$21.9 million, HK\$20.2 million, HK\$18.4 million and HK\$17.8 million, respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Cyber Building.

On 8 June 2012, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$29.0 million to Fortune Goldman for a maturity period of seven years. The banking facilities are also pledged by premises in Hong Kong owned by Fortune Goldman. As at 31 March 2015 and 2016, Fortune Goldman utilised the banking facilities of approximately HK\$25.4 million and HK\$23.9 million, respectively. During the Track Record Period, there was no default payment by Fortune Goldman. On 21 October 2016, this financial guarantee has been released.

On 17 April 2013, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$47.5 million to Happy Gear for a maturity period of 20 years. The banking facilities are also pledged by premises in Hong Kong owned by Happy Gear. As at 31 March 2015, 2016, 2017 and 2018 and 31 July 2018, Happy Gear utilised the banking facilities of approximately HK\$43.0 million, HK\$40.7 million, HK\$38.6 million, HK\$36.4 million and HK\$35.8 million, respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Happy Gear.

On 16 April 2014, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$26.0 million to Wealth Goldman for a maturity period of 12 years. The banking facilities are also pledged by premises in Hong Kong owned by Wealth Goldman. As at 31 March 2015, 2016, 2017 and 2018 and 31 July 2018, Wealth Goldman utilised the banking facilities of approximately HK\$24.7 million, HK\$22.7 million, HK\$20.6 million, HK\$18.6 million and HK\$17.9 million, respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Wealth Goldman.

On 11 May 2016, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$46.0 million to Fortune Goldman for a maturity period of three years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. As at 31 March 2017 and 2018 and 31 July 2018, Fortune Goldman utilised the banking facilities of approximately HK\$44.3 million, HK\$41.8 million and HK\$41.0 million respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Fortune Goldman.

On 12 August 2016, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$38.0 million to Denmark Investments for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Denmark Investments. As at 31 March 2017 and 2018 and 31 July 2018, Denmark Investments utilised

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the banking facilities of approximately HK\$37.6 million, HK\$36.7 million and HK\$36.4 million respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Denmark Investments.

On 12 August 2016, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$23.2 million to Fortune Goldman for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. As at 31 March 2017 and 2018 and 31 July 2018, Fortune Goldman utilised the banking facilities of approximately HK\$23.0 million, HK\$22.4 million and HK\$22.2 million respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Fortune Goldman.

On 17 October 2016, RBMS HK provided a corporate guarantee to a bank in relation to the granting of banking facilities of approximately HK\$10.0 million to Cyber Building for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. As at 31 March 2017 and 2018 and 31 July 2018, Cyber Building utilised the banking facilities of approximately HK\$9.9 million, HK\$9.5 million and HK\$9.3 million respectively. During the Track Record Period and up to the Latest Practicable Date, there was no default payment by Cyber Building.

Our Directors confirm that our corporate guarantees provided to our related companies will be released at the earlier of the repayments of loans by our related companies and upon the Listing.

### **Disclaimer**

Save as disclosed in this prospectus, we did not have mortgages, charges, debentures, loan capital, bank overdrafts, loans, loan from government, debt securities issued and outstanding, and authorised or otherwise created but unissued, or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding as at 31 July 2018 (being the latest practicable date for the purpose of this indebtedness statement).

### **Material indebtedness change**

Save as disclosed in the above paragraphs, our Directors confirm that, as at the Latest Practicable Date, there was no other material change in our Group's indebtedness since 31 July 2018, and there was no other external financing plan save as disclosed in this prospectus as at the Latest Practicable Date.

### **OFF-BALANCE SHEET TRANSACTIONS**

Save for the contingent liabilities as disclosed in the paragraph headed "Contingent liabilities" in this section above and the operating lease commitments as disclosed in the paragraph headed "Operating lease commitments" in this section below, and as disclosed in the accountants' report set out in Appendix I to this prospectus, we have not entered into any material off-balance sheet transactions or arrangements during the Track Record Period and up to the Latest Practicable Date.



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### CAPITAL EXPENDITURE

Our capital expenditure mainly comprised purchases of property, plant and equipment, amounting to approximately HK\$2.0 million, HK\$5.3 million, HK\$2.9 million and HK\$0.5 million for the years ended 31 March 2015, 2016, 2017 and 2018 respectively.

### COMMITMENTS

#### Capital commitments

Please refer to note 29 of Section A to the accountants' report set out in Appendix I to this prospectus for the details of our capital commitments.

#### Operating lease commitments

At the end of each reporting period, we had commitments for future minimum lease payments in respect of our retail shops, warehouse and office premises under non-cancellable operating leases which were fall due as follows:

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within one year	19,106	37,538	38,218	31,011
In the second to fifth year, inclusive	<u>9,593</u>	<u>35,772</u>	<u>19,865</u>	<u>3,128</u>
Total	<u>28,699</u>	<u>73,310</u>	<u>58,083</u>	<u>34,139</u>

For further details of our operating lease commitments, please refer to note 28 of Section A to the accountants' report set out in Appendix I to this prospectus.

### RELATED PARTY TRANSACTIONS

With respect to our related party transactions set out in this prospectus, our Directors are of the opinion that these transactions were conducted on normal commercial terms. For further details of related party transactions, please refer to note 31 of Section A to the accountants' report set out in Appendix I to this prospectus.

### PROPERTY INTERESTS

As at the Latest Practicable Date, we procure the use of all our properties of retail shops, warehouses and office premises on an operating lease basis, the details of which are set out in the section headed "Business — Properties" in this prospectus.

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### LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2019 are expected to be adversely affected by, among others, our listing expenses, the nature of which is non-recurring. Our total listing expenses, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$41.8 million (based on the mid-point of the indicative Offer Price range of HK\$0.22 per share and 500,000,000 Offer Shares). Among the estimated aggregate amount of our listing expenses, approximately HK\$12.2 million is expected to be accounted for as a deduction from equity upon the Listing, and approximately HK\$12.0 million, HK\$1.2 million, HK\$9.1 million and HK\$7.3 million were charged/is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the years ended 31 March 2016, 2017 and 2018 and the year ending 31 March 2019, respectively. Our Directors would like to emphasise that the amount of our listing expenses is a current estimate for reference only and the final amount to be recognised in our consolidated financial statements is subject to adjustment based on audit and the then changes in variables and assumptions.

Potential investors should note that our financial performance for the year ending 31 March 2019 is expected to be adversely affected by our estimated non-recurring listing expenses mentioned above, and may or may not be comparable to our financial performance in the past. Please also refer to the section headed “Risk Factors — Risks relating to the Share Offer and our Shares” in this prospectus.

### KEY FINANCIAL RATIOS ANALYSIS

The table below sets out our certain key financial ratios as at the dates/for the financial years indicated:

	Notes	For the year ended/As at 31 March			
		2015	2016	2017	2018
Net profit margin (%)	1	19.0%	7.1%	16.7%	9.0%
Current ratio ( <i>times</i> )	2	1.3	1.2	1.4	1.4
Quick ratio ( <i>times</i> )	3	1.0	0.9	1.1	1.1
Gearing ratio ( <i>times</i> )	4	2.1	2.8	1.4	1.2
Debt-to-equity ratio ( <i>times</i> )	5	2.0	2.8	1.1	1.2
Return on total assets (%)	6	12.8%	4.9%	11.3%	5.5%
Return on equity (%)	7	48.5%	23.0%	33.0%	15.5%
Interest coverage ratio ( <i>times</i> )	8	12.2	6.7	10.9	6.3

*Notes:*

- (1) Net profit margin equals to our profit for the year divided by our revenue for the financial year, multiplied by 100%.
- (2) Current ratio equals to our total current assets divided by our total current liabilities as at the year end date.
- (3) Quick ratio equals to our total current assets less our inventories divided by our total current liabilities as at the year end date.
- (4) Gearing ratio equals to our total interest-bearing debts (being the sum of our bank borrowings and obligations of finance leases) divided by our total equity as at the year end date.

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- (5) Debt-to-equity equals to our net debts (being our total interest-bearing debts net of our cash and cash equivalents) divided by our total equity as at the year end date.
- (6) Return on total assets equals to our profit for the year divided by our total assets at the year end date, multiplied by 100%.
- (7) Return on equity equals to our profit for the year divided by our total equity at the year end date, multiplied by 100%.
- (8) Interest coverage equals to our profit before interest and tax divided by our interest for the financial year.

### Net profit margin

Our net profit margin decreased from approximately 19.0% for the year ended 31 March 2015 to approximately 7.1% for the year ended 31 March 2016 primarily due to (i) the turnaround of the exchange gains of approximately HK\$8.8 million mainly arising from the settlement or translation of our Euro-denominated trade and other payables and bank borrowings as a result of a significant depreciation of Euro against HK\$ for the year ended 31 March 2015, to an exchange loss of approximately HK\$1.9 million mainly due to appreciation of Euro against HK\$ for the year ended 31 March 2016; and (ii) a significant increase in our other expenses mainly due to the tax penalty and late payment surcharge provided in respect of our tax non-compliance and our overdue profits tax, and listing expenses incurred in relation to the Listing. Excluding the non-recurring items of listing expenses and tax penalty and late payment surcharge as mentioned above, the net profit margin for the year ended 31 March 2016 would be approximately 18.6%, which was comparable to that for the year ended 31 March 2015.

Our net profit margin for the year ended 31 March 2017 was approximately 16.7%. On the same basis of excluding the non-recurring item of listing expenses, our net profit margin for the year ended 31 March 2017 would be approximately 17.4%. Such decrease as compared to the year ended 31 March 2016 was mainly due to the increase in our rental expenses mainly attributable to the opening of new retail shops and rental increment of existing shops upon tenancy renewal.

Our net profit margin for the year ended 31 March 2018 was approximately 9.0%. The significant decrease in our profit margin as compared to that of the year ended 31 March 2017 was mainly due to (i) the incurring of a net exchange loss of approximately HK\$4.8 million for the year as compared to a net exchange gain of approximately HK\$1.8 million for the year ended 31 March 2017; and (ii) the incurring of listing expenses of approximately HK\$9.1 million for the year as compared to that of approximately HK\$1.2 million for the year ended 31 March 2017.

### Current ratio and quick ratio

Our current ratio and quick ratio slightly decreased from approximately 1.3 times and 1.0 time respectively as at 31 March 2015 to approximately 1.2 times and 0.9 time respectively as at 31 March 2016 primarily attributable to (i) the declaration of an interim dividend of HK\$20.0 million by RBMS HK on 4 December 2015 to offset part of the increase in our amount due from a Director which in turn reduced the rate of increase in current assets; and (ii) the increase in bank borrowings which in turn increased the rate of increase in current liabilities.

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Our current ratio and quick ratio slightly increased to approximately 1.4 times and 1.1 times respectively as at 31 March 2017 primarily due to the rate of decrease in currently liabilities (mainly represented by the decrease in bank borrowings) exceeding the rate of decrease in current assets (mainly represented by the decrease in amounts due from related companies).

Our current ratio and quick ratio of approximately 1.4 times and 1.1 times respectively as at 31 March 2018 were comparable to those as at 31 March 2017.

### **Gearing ratio and debt-to-equity ratio**

Our gearing ratio and debt-to-equity ratio increased from approximately 2.1 times and 2.0 times respectively as at 31 March 2015 to approximately 2.8 times and 2.8 times respectively as at 31 March 2016 primarily attributable to (i) an increase in our total debts (a) mainly for short term financing of our business operations, and (b) arising from the entering into of a new finance lease in respect of a motor vehicle purchased; and (ii) the declaration of an interim dividend of HK\$20.0 million by RBMS HK on 4 December 2015 which reduced our total equity as at 31 March 2016.

Our gearing ratio and debt-to-equity ratio significantly decreased to approximately 1.4 times and 1.1 times, respectively, as at 31 March 2017 primarily attributable to (i) significant decrease in our bank borrowings; and (ii) increase in our total equity as at 31 March 2017 resulting from our profit generated for the year.

Our gearing ratio and debt-to-equity ratio were approximately 1.2 times and 1.2 times respectively as at 31 March 2018. The further decrease in our gearing ratio as compared to that as at 31 March 2017 was mainly due to the increase in our total equity as at 31 March 2018 resulting from our profit generated for the year; while the slight increase in our debt-to-equity ratio was mainly due to the increase in our net borrowings as at 31 March 2018 at a greater extent than the increase in our total equity.

Our gearing ratio (excluding bank borrowings which were secured by related companies' Hong Kong properties) was approximately 0.1 time, 0.2 time, 0.1 time and 0.05 time as at 31 March 2015, 2016, 2017 and 2018, respectively.

Had the Listing taken place on 31 March 2018 (which we assumed all bank borrowings which were secured by related companies' Hong Kong properties were repaid and 500,000,000 new shares were issued at the Offer Price of HK\$0.22 per share (being the mid-point of the indicative Offer Price range) following the completion of the Share Offer and the Capitalisation Issue), our gearing ratio would have significantly decreased to approximately 0.03 time.

### **Return on total assets**

Our return on total assets significantly decreased from approximately 12.8% for the year ended 31 March 2015 to approximately 4.9% for the year ended 31 March 2016 primarily attributable to a decrease in our profit for the year ended 31 March 2016 as compared to our profit for the year ended 31 March 2015 mainly due to a significant increase in our other expenses as discussed above.

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Our return on total assets increased to approximately 11.3% for the year ended 31 March 2017 primarily attributable to the increase in our profit for the year ended 31 March 2017 as compared to our profit for the year ended 31 March 2016.

Our return on total assets decreased to approximately 5.5% for the year ended 31 March 2018 primarily attributable to the decrease in our profit for the year ended 31 March 2018 as compared to our profit for the year ended 31 March 2017.

### **Return on equity**

Our return on equity significantly decreased from approximately 48.5% for the year ended 31 March 2015 to approximately 23.0% for the year ended 31 March 2016 primarily attributable to a decrease in our profit for the year ended 31 March 2016 as compared to our profit for the year ended 31 March 2015 mainly due to a significant increase in our other expenses as discussed above, which was partially offset by the reduction of our total equity mainly due to the declaration of an interim dividend of HK\$20.0 million by RBMS HK on 4 December 2015.

Our return on equity increased to approximately 33.0% for the year ended 31 March 2017 primarily attributable to the increase in our profit for the year ended 31 March 2017 as compared to our profit for the year ended 31 March 2016.

Our return on equity decreased to approximately 15.5% for the year ended 31 March 2018 primarily attributable to the decrease in our profit for the year ended 31 March 2018 as compared to our profit for the year ended 31 March 2017.

### **Interest coverage ratio**

Our interest coverage ratio significantly decreased from approximately 12.2 times for the year ended 31 March 2015 to approximately 6.7 times for the year ended 31 March 2016 primarily attributable to a decrease in our profit before interest and tax mainly due to a significant increase in our other expenses as discussed above.

Our interest coverage ratio increased to approximately 10.9 times for the year ended 31 March 2017 primarily attributable to the increase in our profit before interest and tax for the year ended 31 March 2017 as compared to that of the year ended 31 March 2016.

Our interest coverage ratio significantly decreased to approximately 6.3 times for the year ended 31 March 2018 primarily attributable to the relatively lower profit before interest and tax due to those reasons stated in the paragraph headed “Net profit margin” above.

### **UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

Please refer to the unaudited pro forma financial information set out in Appendix II to this prospectus for the basis and calculation of our unaudited pro forma adjusted consolidated net tangible assets.

## FINANCIAL INFORMATION

### MARKET RISKS

#### Currency risk

We had foreign currency transactions, which exposed us to foreign currency risk. Approximately 99% of our purchases were denominated in the currencies other than the functional currency of our entities during the Track Record Period.

For detailed breakdowns of our monetary assets and liabilities denominated in foreign currencies as at 31 March 2015, 2016, 2017 and 2018 and the sensitivity analysis of the change on the exchange rate, please refer to note 35(b)(i) of Section A to the accountants' report set out in Appendix I to this prospectus.

#### Interest rate risk

We were exposed to fair value interest rate risk in relation to our obligations under finance leases. We were also exposed to cash flow interest rate risk in relation to our bank balances, payments for life insurance policies and variable-rate bank borrowings. We were exposed to cash flow interest rate risk relating to our derivative financial instrument after 3 October 2012 as the dual currency interest swap was receiving-floating and pay-floating instruments.

Both of our bank borrowings and derivative financial instrument were concentrated on fluctuation on HIBOR. We currently do not have interest rate risk hedging policy. However, our management closely monitors our exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

For the sensitivity analysis of the change on the interest rate on our bank borrowings, please refer to note 35(b)(i) of Section A to the accountants' report set out in Appendix I to this prospectus.

No sensitivity analysis is provided on our bank balances, payments for life insurance policies and dual currency interest rate swap as our management considers that the interest rate fluctuation on our bank balances, payments for life insurance policies and dual currency interest rate swap was minimal and the impact from the exposure to interest rate risk sensitivity was considered insignificant.

#### Credit risk

We traded with a large number of individual customers. During the Track Record Period, we had concentration of credit risks with exposure limited to certain customers. As at 31 March 2015, 2016, 2017 and 2018, approximately 38%, 56%, 26% and 37% of our trade receivables were due from our customers located in the PRC who are within the same industry, respectively. Our management closely monitored the subsequent settlement of our customers. In this regard, our Directors considered that our credit risk was significantly reduced. Other than disclosed above, our Group did not have significant credit risk exposure to any single individual customer.

We had significant concentration of credit risk on our amounts due from related companies and a Director as the credit risk is attributable to four related companies and a Director. Our management considered the counterparties with good creditworthiness based on their past repayment history and subsequent settlement.

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We had concentration of credit risk on our payments for life insurance policies on two insurance companies. Our management considered the counterparties are financial institutions with good reputation and thus our Group considered that our credit risk was insignificant.

For our financial guarantees, those guarantees were provided to our related companies and our management continuously monitored the credit quality and financial conditions of the guaranteed parties that we issued financial guarantee contracts in favour of to ensure that we would not suffer significant credit losses as a result of the failure of our guaranteed parties on the repayment of the relevant loans. In this regard, our management considered that our credit risk was significantly reduced.

The credit risk on our liquid funds was limited because the counterparties were banks with good reputation and we had limited exposure to any single financial institution.

### **Liquidity risk**

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in our cash flows.

For detailed breakdowns of the remaining contractual maturity for our financial liabilities and financial guarantee contracts, and their weighted average interest rates as at 31 March 2015, 2016, 2017 and 2018, please refer to note 35(b)(iii) of Section A to the accountants' report set out in Appendix I to this prospectus.

As at 31 March 2015, 2016, 2017 and 2018, our bank borrowings with a repayment on demand clause were included in the "On demand" time band in the maturity analysis. As at 31 March 2015, 2016, 2017 and 2018, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$124.2 million, HK\$137.6 million, HK\$114.6 million and HK\$104.5 million, respectively. Taking into account our financial position, our management does not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Our management believes that such bank borrowings would be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For detailed breakdowns of the remaining contractual maturity for our bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements and their weighted average interest rates as at 31 March 2015, 2016, 2017 and 2018, please also refer to note 35(b)(iii) of Section A to the accountants' report set out in Appendix I to this prospectus.

### **DIVIDENDS**

No dividend have been declared by our Group for the years ended 31 March 2015, 2017 and 2018. For the year ended 31 March 2016, an interim dividend of HK\$20.0 million was declared to the shareholder of RBMS HK by RBMS HK on 4 December 2015 to offset part of our amount due from Mr. Tso. On 10 September 2018, the Company declared dividends of HK\$109,000,000 to RB Power, the then sole shareholder of the Company, and the dividends were settled by way of offsetting part of the amounts due from related companies to our Group under the instruction of Mr. Tso. Our Company currently does not have any predetermined dividend payout ratio. The historical dividend distribution

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record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. To the extent that profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operation.

The payment and the amount of any dividends of our Company, if paid, would depend on the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our Directors' discretion, the Memorandum and Articles of Association and the Cayman Companies Law.

### **DISTRIBUTABLE RESERVE**

As at 31 March 2018, our Company had no distributable reserve available for distribution to our Shareholders.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Save as disclosed otherwise in this prospectus, our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **RECENT DEVELOPMENT**

Based on our unaudited management accounts, our revenue for the four months ended 31 July 2018 increased as compared to the four months ended 31 July 2017, which was primarily attributable to the increase in our retail sales and distribution sales.

According to Ipsos, the residential property market witnessed a property price increase and recovery of domestic transaction volume since late 2016, and the upward trend remains in 2017. It is expected that the transaction volume will remain the moderate upward trend in the short-to-medium term. For instance, the annual transaction volume of residential property (both primary and secondary) in 2017 increased by a growth rate of approximately 12.6% compared to 2016, indicating that the property market in Hong Kong may start going up again after digesting all the effects from various government tax policies and negative expectation on the property market. In general, the growing property market provides support to the growth of the tile industry during the forecast period. Please refer to the section headed "Industry Overview — Overview of residential property market" in this prospectus.

The overall performance of the Hong Kong property market did and will have an impact on us. However, we believe that the impact on our business operations and financial performance was and will not be material as our sales performance is not entirely commensurate with the sales performance of Hong Kong properties, in particular our retail customers (which accounted for approximately 87.7%, 73.0%, 79.4% and 75.6% of our total revenue during the Track Record Period, respectively) comprise not just property buyers but also home owners/renters looking to refurbish their homes. In addition, we strived to expand our business from non-retail sales which has also been our revenue driver to our Group.



## **FINANCIAL INFORMATION**

Our Directors confirm that there has been no material adverse change in our business operation and business environment in which we are operating subsequent to the Track Record Period.

Notwithstanding the above, we currently expect that our financial position and financial results for the year ending 31 March 2019 may be negatively impacted by (i) non-recurring listing expenses to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income; and (ii) lower product margin due to the possible appreciation of Euro against HK\$ after the Track Record Period. For further details regarding our listing expenses, please refer to the paragraphs headed “Listing expenses” in this section.

Potential investors should note that our financial information subsequent to the Track Record Period is unaudited and may not reflect the full year results for the year ending 31 March 2019 and may be subject to adjustments based on the audit.

### **NO MATERIAL ADVERSE CHANGE**

Save as disclosed in the paragraph headed “Recent development” in this section, our Directors confirm that since 31 March 2018 (being the date to which our latest audited financial statements were made up) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no events since 31 March 2018 which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

## **FUTURE PLANS AND USE OF PROCEEDS**

### **FUTURE PLANS**

Please refer to the section headed “Business — Our business strategies” in this prospectus for a detailed description of our future plans.

### **REASONS FOR THE LISTING**

Our Directors believe a public listing status would enhance our Group’s corporate profile and recognition. Our Directors also consider that the Listing would enable the Group to have access to the capital market for raising funds both at the time of Listing and at later stages, which would in turn assist in future business development of our Group. Further, given the limited amount of cash on hand, we consider our existing internal resources are not adequate to cope with the funding need of our expansion plan, and we do not consider our banking facilities, the substantial amount of which are currently secured by properties of related companies (though be replaced by corporate guarantees provided by the Company upon the Listing), could be further increased to satisfy the relevant funding need, while the majority portion of our unutilised banking facilities (approximately HK\$53.4 million as at 31 July 2018) is related to trade financing facilities and not applicable to the capital expenditure of our expansion plan. As such, the Listing would allow the Company to establish a platform to access the capital market to facilitate the equity financing of the Company as and when necessary.

### **USE OF PROCEEDS**

Assuming an Offer Price of HK\$0.22 per share (being the mid-point of the indicative Offer Price range of HK\$0.19 to HK\$0.25 per share), the net proceeds to be received by us from the Share Offer, after deducting the outstanding underwriting fees and estimated expenses payable by us in connection with the Share Offer, are estimated to be approximately HK\$95.7 million. Our Directors presently intend to apply the net proceeds to be received by us as follows:

- (1) approximately HK\$24.5 million (approximately 25.6% of the net proceeds to be received by us from the Share Offer) to expand our retail network in Hong Kong, among which: (i) approximately HK\$13.3 million (approximately 13.9% of the net proceeds to be received by us from the Share Offer) will be used as the initial capital investments and start-up costs of new retail shops in Wanchai and Mongkok; and (ii) approximately HK\$11.2 million (approximately 11.7% of the net proceeds to be received by us from the Share Offer) will be used to acquire inventories for the new retail shops.

## FUTURE PLANS AND USE OF PROCEEDS

The planned allocation of this portion of net proceeds is as follows:

For the year ending 31 March	Number of shop(s) in Wanchai	Number of shop(s) in Mongkok	Estimated capital investments and set-up cost <i>HK\$ (million)</i>	Estimated inventory cost <i>HK\$ (million)</i>	Estimated total amount <i>HK\$ (million)</i>	Planned allocation of net proceeds <i>HK\$ (million)</i>
2019	1	1	3.8	3.2	7.0	7.0
2020	1	1	3.8	3.2	7.0	7.0
2021	1	2	5.7	4.8	10.5	10.5

- (2) approximately HK\$40.7 million (approximately 42.5% of the net proceeds to be received by us from the Share Offer) will be applied and kept by us as reserve for meeting minimum purchase commitment under new exclusive distribution rights with well known European tile, bathroom fixtures and wooden flooring manufacturers of brands which we consider with potential in Hong Kong. As at the Latest Practicable Date, several European brands had been identified but no formal negotiation had been commenced with the manufacturers nor had we entered into any letter of intent or agreement for such exclusive distribution rights with those targeted brands.

The following table sets out further information regarding the targeted brands and the planned allocation of this portion of net proceeds:

Types of products	Number of targeted brands	Estimated annual minimum purchase commitment for each brand <i>HK\$ (million)</i>	Estimated total amount <i>HK\$ (million)</i>	Planned allocation of net proceeds <i>HK\$ (million)</i>	Implementation plan
Tiles	2	9.3 to 13.9	18.5	18.5	We will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of two European brands of tile products. We plan to obtain product samples from the two European manufacturers and display in our retail shops or submit in project tenders for feedback from the market. If the products are well received by the market, we expect to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the first quarter of 2019.

## FUTURE PLANS AND USE OF PROCEEDS

Types of products	Number of targeted brands	Estimated annual minimum purchase commitment for each brand <i>HK\$ (million)</i>	Estimated total amount <i>HK\$ (million)</i>	Planned allocation of net proceeds <i>HK\$ (million)</i>	Implementation plan
Bathroom fixtures	3	2.8 to 4.6	11.1	11.1	We will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported bathroom fixtures market. We plan to obtain product samples for display and market's feedback in the second half of 2018. If the products are well received by the market, we expect to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2018 and commence the exclusive distribution right in the second quarter of 2019.
Wooden floor	2	5.6 to 7.4	11.1	11.1	We will conduct market research to gain a better understanding of the product trend, the customer's behaviour, preference and taste of the imported wooden flooring market. We plan to obtain product samples for display and market's feedback during 2019. If the products are well received by the market, we expect to negotiate the exclusive distribution agreement with the relevant manufacturers in the fourth quarter of 2019 and commence the exclusive distribution right in the second quarter of 2020.

- (3) approximately HK\$30.0 million (approximately 31.3% of the net proceeds to be received by us from the Share Offer) will be used for suitable strategic acquisition opportunities to strengthen our market leadership and further enhance our competitiveness in the tile retailing industry. As at the Latest Practicable Date and up to the date of this prospectus, no specific acquisition targets had been identified, nor had we commenced any negotiation with any party or entered into any letter of intent or agreement for any potential acquisition. Nonetheless, we had commenced identification and evaluation of potential targets and had been conducting preliminary market research on the product portfolio of our competitors.

## FUTURE PLANS AND USE OF PROCEEDS

The planned allocation of this portion of net proceeds is as follows:

<b>Principal business of potential target(s)</b>	<b>Targeted origin of products</b>	<b>Planned allocation of net proceeds</b> <i>HK\$ (million)</i>	<b>Implementation plan</b>
Retail sales of overseas manufactured bathroom products and/or tile products	Italy and Spain	30.0	We are currently identifying and evaluating any potential target and conducting preliminary market research on the product portfolios of our competitors. If we consider synergies could be created by the potential acquisitions, we expect to perform pre-acquisition due diligence and commence negotiations in the first half of 2019, and enter into formal agreement in the second half of 2019.

- (4) the remaining balance of approximately HK\$0.5 million (approximately 0.6% of the net proceeds to be received by us from the Share Offer) will be used for general working capital purposes.

In the event that the Offer Price is set at the high-end and the low-end of the proposed Offer Price range, we will receive net proceeds of approximately HK\$81.5 million and HK\$110.0 million, after deducting related outstanding underwriting fees and expenses, respectively.

If the Offer Price is set at the high-end or the low-end of the indicative Offer Price range, the net proceeds to be received by us, will increase or decrease by approximately HK\$14.3 million, respectively. In such event, we intend to adjust the allocation of the net proceeds to be received by us to the above uses, on pro rata basis.

To the extent that the net proceeds to be received by us from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we intend to hold such funds in short-term deposits with licensed banks and/or authorised financial institutions for so long as it is in our best interests.

# UNDERWRITING

## UNDERWRITERS

### Public Offer Underwriters

#### Sole Global Coordinator

Alpha Financial Group Limited

#### Joint Bookrunners and Joint Lead Managers

Alpha Financial Group Limited

Future Land Resources Securities Limited

#### Co-managers

AFG Securities Limited

China-Hong Kong Link Securities Company Limited

Run Investment Services Limited

RaffAello Securities (HK) Limited

China Finance KAB Limited

Eddid Securities and Futures Limited

Global Mastermind Securities Limited

## PUBLIC OFFER UNDERWRITING ARRANGEMENTS

### Public Offer

Pursuant to the Public Offer Underwriting Agreement, the Company is offering initially 50,000,000 Public Offer Shares for subscription by way of Public Offer at the Offer Price on and subject to the terms and conditions in this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe, or procure subscribers to subscribe for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions in this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

## UNDERWRITING

### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company, if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
  - (i) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or
  - (ii) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the BVI, the Cayman Islands, the PRC or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “**Relevant Jurisdictions**”); or
  - (iii) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
  - (iv) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
  - (v) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
  - (vi) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
  - (vii) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, RB Power and our executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

## UNDERWRITING

- (viii) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (ix) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (x) any event or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threats of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (xi) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (xii) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of the Hong Kong dollar against any foreign currency; or
- (xiii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable Laws; or
- (xv) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (xvi) non-compliance of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable Laws; or
- (xvii) an order is made or petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or



## UNDERWRITING

- (xviii) any loss or damage sustained by any member of our Group; or
- (xix) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being instigated against any member of our Group; or
- (xx) a Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or
- (xxi) the chairman or president of our Company vacating his office; or
- (xxii) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or
- (xxiii) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof,

which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (A) is or will or may individually or in the aggregate have a Material Adverse Effect on the business, financial, trading or other condition or prospects of our Group taken as a whole, or
- (B) has or will or may have a Material Adverse Effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares, or
- (C) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Underwriting Agreement, the Placing Underwriting Agreement, and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Share Offer on the terms and in the manner contemplated in this prospectus.

## UNDERWRITING

- (b) the Sole Global Coordinator or any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
  - (i) any of the warranties given by the our Company, RB Power or our executive Directors under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect; or
  - (ii) any statement contained in this prospectus, the Application Forms, the Formal Notice and/or any announcement or advertisement issued by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if the relevant document was to be issued at that time, constitute a material omission therefrom, or that any forecasts, expressions of opinion, intention or expectation expressed in the relevant document are not fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (iii) there has been a material breach on the part of any of our Company, RB Power or our executive Directors of any of the obligations of the Public Offer Underwriting Agreement; or
  - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
  - (v) any material adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
  - (vi) approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (vii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer.

## UNDERWRITING

### UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

#### Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

#### Undertaking by each of our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders (namely Mr. Tso and RB Power) has undertaken to the Stock Exchange, our Company and the Sponsor that save as disclosed in this prospectus and except pursuant to the Share Offer, it/he will not and shall procure that the relevant registered holder(s) and its/his associates and companies controlled by it/him and any nominee or trustee holding in trust for it/him (collectively, the “**relevant person**”) will not:

- (a) within the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in our Shares first commence on the Main Board of the Stock Exchange (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner whether direct or indirect (the “**Relevant Shares**”); and
- (b) within six months commencing on the day immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he, together with the other Controlling Shareholders, collectively would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange, our Company and the Sponsor that, within the First Six-Month Period and the Second Six-Month Period, it/he shall and shall procure the relevant registered holder(s):

- (a) when it/he, or the relevant registered holder(s) pledges/charges any securities of our Company beneficially owned by it/him in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules (the “**Permissible Pledge**”), immediately inform our Company in writing of such pledge/charge together with the number of such securities in our Company so pledged/charged; and
- (b) when it/he, or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform our Company in writing of such indications.

## UNDERWRITING

Our Company will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with the Rule 2.07C of the Listing Rules as soon as possible.

### **LOCK-UP UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT**

#### **Restriction on the issue of Shares by our Company**

Our Company hereby undertakes to each of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters and each of the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/she/it will procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its Affiliates, either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the First Six-month Period;
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

## UNDERWRITING

- (c) not at any time within the Second Six-Month Period do any of the acts set out in (a) and (b) above or such that any of the Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder of our Company (within the meaning defined in the Listing Rules); and
- (d) in the event that our Company does any of the acts set out in (a) and (b) above after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the Subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the Subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

### **Restriction on disposal, purchase and pledges of Shares by the Controlling Shareholders**

#### *Restriction on disposal of Shares*

Each of the Controlling Shareholders jointly and severally represents, warrants, undertakes to and covenants with our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer and unless in compliance with the Listing Rules, he/she/it shall not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, during the First Six-month Period:

- (a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he/she/it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or securities at any time during the Second Six-month Period, (1) such disposal shall not result in any of the Controlling Shareholders

## UNDERWRITING

ceasing to be a Controlling Shareholder of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to the Controlling Shareholders' undertaking above, each of the Controlling Shareholders further undertakes to the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he/she/it shall:

- (A) if and when he/she/it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company, the Sole Global Coordinator and the Public Offer Underwriters in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (B) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting rights or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sole Global Coordinator and the Public Offer Underwriters in writing of such indications.

### *Restrictions on purchase of Shares by our Company*

Our Company and the executive Directors agree and undertake to each of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, that they will not, and the Controlling Shareholders further undertake to each of the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters).

## PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters and other parties named therein. Under the Placing Underwriting Agreement, the Placing Underwriters will, subject to certain conditions, severally agree to purchase the Placing Shares being offered pursuant to the Placing or procure purchasers for such Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed "Lock-up undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Potential investors should note that if the Placing Underwriting Agreement is not entered into, or is terminated, the Share Offer will not proceed.

## **UNDERWRITING**

### **COMMISSION AND EXPENSES**

The Public Offer Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer in accordance with the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price for the Placing Share initially offered under the Placing.

Based on an Offer Price of HK\$0.22 per Share (being the mid-point of the indicative range of the Offer Price between HK\$0.19 to HK\$0.25 per share, the Listing expenses, including the aggregate of commissions and fees, together with the Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$41.8 million in total and are payable by us.

### **INDEMNITY**

Our Company and each of our Controlling Shareholders have agreed to jointly and severally indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us or our Controlling Shareholders or our executive Directors of the Public Offer Underwriting Agreement as the case may be.

### **SPONSOR'S AND UNDERWRITERS' INTEREST IN THE COMPANY**

The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Save for its obligations under the relevant Underwriting Agreements or as otherwise disclosed above, none of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or the Underwriters is interested legally or beneficially in shares of our Company or any of its subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Share Offer.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

## **STRUCTURE OF THE SHARE OFFER**

### **THE SHARE OFFER**

This prospectus is published in connection with the Public Offer as part of the Share Offer. We intend to initially make available up to 500,000,000 Shares under the Share Offer, of which 450,000,000 Shares will be conditionally placed pursuant to the Placing to professional, institutional and other investors and the remaining 50,000,000 Shares will be offered to the public in Hong Kong at the Offer Price under the Public Offer (subject, in each case, to reallocation on the basis described below under the paragraph headed “Public Offer” in this section).

The 500,000,000 Offer Shares initially being offered in the Share Offer will represent approximately 25% of our enlarged total number of issued Shares immediately after completion of the Share Offer. The underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or apply for or indicate an interest for the Offer Shares under the Placing, but may not apply under both of these methods for the Offer Shares. In other words, you may only receive Offer Shares under either the Public Offer or the Placing, but not under both of these methods. The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Reallocation” below.

### **PUBLIC OFFER**

The Public Offer is fully underwritten by the Public Offer Underwriters on a several basis under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Public Offer and the Placing are subject to the conditions set forth in the paragraph headed “Conditions of the Share Offer” in this section. The Public Offer Underwriting Agreement and the Placing Agreement are expected to be conditional upon each other.

#### **Number of Offer Shares initially offered**

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set forth in the Public Offer Underwriting Agreement and described in the paragraph headed “Conditions of the Share Offer” in this section) for the subscription in Hong Kong of initially 50,000,000 Shares at the Offer Price (representing 10% of the total number of the Offer Shares).

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.



## STRUCTURE OF THE SHARE OFFER

### **Allocation**

Allocation of Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Subject to any adjustment in the number of Offer Shares allocated between the Placing and the Public Offer, the total number of Shares available under the Public Offer will represent 10% of our Company's enlarged total number of issued Shares immediately after completion of the Share Offer. It is to be divided equally into two pools for allocation purposes (subject to any adjustment in the number of Offer Shares allocated between the Placing and the Public Offer): pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Shares with an aggregate subscription price of HK\$5 million or less (excluding the amounts of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for our Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools, and any application for more than 25,000,000 Public Offer Shares will be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing, and if the number of Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, or (iii) 100 times or more of the number of Shares initially available under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, such that the total number of Shares available under the Public Offer will be increased to 150,000,000 Shares (in the case of (i)), 200,000,000 Shares (in the case of (ii)) and 250,000,000 Shares (in the case of (iii)) representing 30%, 40% and 50% of the Shares initially available under the Share Offer, respectively. In each case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. Furthermore, in the event that the Placing Shares are fully subscribed or oversubscribed under the Placing but the Public Offer Shares being undersubscribed under the Public Offer, the Sole Global Coordinator may, in its sole discretion, reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to Placing in such proportions as the Sole Global Coordinator deem appropriate.

## STRUCTURE OF THE SHARE OFFER

In addition, pursuant to the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, in the event that (i) the Placing Shares are undersubscribed under the Placing but the Public Offer Shares are fully subscribed or oversubscribed under the Public Offer irrespective of the number of times, or (ii) the Placing Shares are fully subscribed or oversubscribed under the Placing and the Public Offer Shares are not undersubscribed but the number of Shares validly applied for under the Public Offer represents less than 15 times the initial number of the Public Offer Shares, then the Sole Global Coordinator may, at its discretion, reallocate the Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Public Offer Shares available under the Public Offer shall not be increased to more than 100,000,000 Shares, representing double the number of Public Offer Shares initially available under the Public Offer and 20% of the total number of Offer Shares initially available under the Share Offer. In such case, the final Offer Price must be set at the bottom end of the indicative offer price range.

The Sole Global Coordinator may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

If the Public Offer is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Public Offer to the Placing, in such proportions as the Sole Global Coordinator deem appropriate.

The Public Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

### **Applications**

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application may be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he or she has been or will be placed or allocated Offer Shares under the Placing.

The listing of the Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the Offer Price of HK\$0.25 per Share in addition to any brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Share. Further details are set forth below in the section headed "How to apply for Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

## STRUCTURE OF THE SHARE OFFER

### THE PLACING

The Placing is expected to be fully underwritten by the Placing Underwriters on the terms of the Placing Underwriting Agreement.

### Number of Offer Shares initially offered

Subject to reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 450,000,000 Shares, representing 90% of the Offer Shares under the Share Offer.

### Allocation

Pursuant to the Placing, 450,000,000 Offer Shares will be conditionally placed, on behalf of the Company, by the Placing Underwriters or through selling agents appointed by them. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Allocation of Placing Shares will be determined by the Sole Global Coordinator, and will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our Company's benefit and that of our Shareholders as a whole.

The Directors, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company will take reasonable steps to identify and reject applicants under the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Offer Shares in the Public Offer.

### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Wednesday, 10 October 2018.

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$0.25 per Offer Share and is expected to be not less than HK\$0.19 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date, which is expected to be on or around Wednesday, 10 October

## STRUCTURE OF THE SHARE OFFER

2018. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.rbmsgroup.com](http://www.rbmsgroup.com) an announcement of such change on or before the Price Determination Date. In addition, we will:

- (i) issue a supplemental prospectus updating investors of the reduction in the indicative offer price together with an update of all financial and other information in connection with such change;
- (ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such an announcement and supplemental prospectus, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such an announcement and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until Price Determination Date.**

Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently withdraw their applications in the event that such announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for themselves and on behalf of the Underwriters) and our Company will under no circumstances be set outside the offer price range as stated in this prospectus.

**If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 15 October 2018, the Share Offer will not proceed and will lapse.**

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on or before Thursday, 18 October 2018.

## **STRUCTURE OF THE SHARE OFFER**

### **PRICE PAYABLE ON APPLICATION**

The Offer Price will not be more than HK\$0.25 per Offer Share and is expected to be not less than HK\$0.19 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.25 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$5,050.39 per board lot of 20,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.25 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

#### **1. Listing**

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

#### **2. Underwriting Agreements**

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

#### **3. Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date or such later date as may be agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters).

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed “How to apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies” in this prospectus.

## **STRUCTURE OF THE SHARE OFFER**

### **REDUCTION IN THE NUMBER OF OFFER SHARES AND/OR THE INDICATIVE OFFER PRICE RANGE**

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause an announcement to be published on our Company's website at [www.rbmsgroup.com](http://www.rbmsgroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Upon issue of such notices, the revised Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such announcement(s) will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics and any other financial information in this prospectus which may change as a result of any such reduction. In the absence of any such announcement, the number of Offer Shares will not be reduced and the Offer Price range will under no circumstances be set outside the Offer Price range as stated in this prospectus. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once they are submitted, unless the number of Offer Shares and/or the Offer Price is/are reduced.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares being offered pursuant to the Share Offer, and such listing and permission not having been revoked prior to the commencement of dealings in Shares on the Stock Exchange;
- (ii) the execution and delivery of the Underwriting Agreements in accordance with their respective terms;
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements;

## **STRUCTURE OF THE SHARE OFFER**

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will publish an announcement of the lapse of the Public Offer on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.rbmsgroup.com](http://www.rbmsgroup.com)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to apply for Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

We expect to issue share certificates for the Offer Shares on Thursday, 18 October 2018. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 19 October 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Public Offer Underwriting Arrangements — Public Offer — Grounds for termination” in this prospectus has not been exercised.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Shares to be issued upon the exercise of options that may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **DEALING**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 19 October 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 19 October 2018.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Public Offer Shares.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form or (ii) give **electronic application instructions** to HKSCC via CCASS.

#### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 from:

- (a) any of the following addresses of the Public Offer Underwriters:

<b>Name</b>	<b>Address</b>
<b>Alpha Financial Group Limited</b>	Room A, 17/F, Fortune House, 61 Connaught Road Central, Central, Hong Kong
<b>Future Land Resources Securities Limited</b>	Flat B, 20/F, Guangdong Investment Tower, 148 Connaught Road Central, Sheung Wan, Hong Kong
<b>AFG Securities Limited</b>	Room B, 17/F., Fortune House, 61 Connaught Road Central, Central, Hong Kong
<b>China-Hong Kong Link Securities Company Limited</b>	19/F, 80 Gloucester Road, Wanchai, Hong Kong

## HOW TO APPLY FOR PUBLIC OFFER SHARES

<b>Name</b>	<b>Address</b>
<b>Run Investment Services Limited</b>	Room 08, 24/F, Dominion Centre, No. 43–59, Queen’s Road East, Wanchai, Hong Kong
<b>RaffAello Securities (HK) Limited</b>	Unit 1701, 17/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong
<b>China Finance KAB Limited</b>	30/F Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
<b>Eddid Securities and Futures Limited</b>	23/F, Mass Mutual Tower, 33 Lockhart Road, Wan Chai, Hong Kong
<b>Global Mastermind Securities Limited</b>	25/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong

(b) any of the following branches of the following receiving bank:

**Standard Chartered Bank (Hong Kong) Limited:**

<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b> Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A, Des Voeux Road Central, Central
<b>Kowloon</b> Telford Gardens Branch	Shop P9–12, Telford Plaza, Telford Gardens, Tai Yip Street, Kowloon Bay
Tsim Sha Tsui Branch	Shop G30 & B117–23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
<b>New Territories</b> Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — MOS House Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

<b>Friday, 28 September 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 29 September 2018</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 2 October 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 3 October 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 4 October 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 5 October 2018</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section of the prospectus.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the section "personal collection" to collect share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO**

### **General**

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section, may apply through the **White Form eIPO** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### **Time for Submitting Applications under the White Form eIPO service**

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 September 2018 until 11:30 a.m. on Friday, 5 October 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 5 October 2018 or such later time under the paragraph headed “10. Effects of bad weather on the opening of the applications lists” in this section of the prospectus.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Public Offer Shares, an actual application shall be deemed

## HOW TO APPLY FOR PUBLIC OFFER SHARES

to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation in this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Environmental Protection**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “MOS House Group Limited” **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**http://ip.ccass.com**) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square,  
8 Connaught Place,  
Central, Hong Kong

and complete an input request form.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 20,000 Public Offer Shares. Instructions for more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates<sup>(1)</sup>:

<b>Friday, 28 September 2018</b>	—	<b>9:00 a.m. to 8:30 p.m.</b>
<b>Saturday, 29 September 2018</b>	—	<b>8:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 2 October 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Wednesday, 3 October 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Thursday, 4 October 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b>
<b>Friday, 5 October 2018</b>	—	<b>8:00 a.m. to 12:00 noon</b>

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Friday, 5 October 2018 (24 hours daily, except on Friday, 5 October 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 5 October 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section of the prospectus.

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 5 October 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 20,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 20,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Share Offer — Determining the Offer Price” in this prospectus.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 5 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 5 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 18 October 2018 on our Company’s website at **www.rbmsgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.rbmsgroup.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 18 October 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 18 October 2018 to 12:00 midnight on Wednesday, 24 October 2018;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 18 October 2018 to Sunday, 21 October 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 18 October 2018 to Saturday, 20 October 2018 at all the receiving bank designated branches and sub-branches.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### (iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

### (iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 18 October 2018.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 18 October 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 19 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 October 2018 or such other date as notified by us in the newspapers.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 18 October 2018, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 18 October 2018, by ordinary post and at your risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 18 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### *(iii) If you apply through the White Form eIPO service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 18 October 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk. If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 18 October 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### *(iv) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant’s stock account or your CCASS Investor Participant stock account on Thursday, 18 October 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “Publication of results” in this section above on Thursday, 18 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 18 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 18 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 18 October 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-50, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MOS HOUSE GROUP LIMITED AND AMPLE CAPITAL LIMITED

### Introduction

We report on the historical financial information of MOS House Group Limited (the “**Company**”) (previously known as RBMS Group Limited) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-50, which comprises the consolidated statements of financial position of the Group as at 31 March 2015, 2016, 2017 and 2018, the statements of financial position of the Company as at 31 March 2016, 2017 and 2018, and the consolidated statements of profit or loss and other 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 31 March 2015, 2016, 2017 and 2018 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-50 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 September 2018 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2016, 2017 and 2018 and the Group's financial position as at 31 March 2015, 2016, 2017 and 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

#### *Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

#### *Dividends*

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 September 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars ("**HK\$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTES	Year ended 31 March			
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	6	173,805	202,112	183,444	190,839
Other income	8	63	384	313	501
Other gains and losses	8	7,377	(3,461)	1,743	(4,841)
Cost of inventories sold		(59,490)	(59,922)	(53,756)	(59,022)
Staff costs		(19,682)	(20,526)	(20,127)	(21,370)
Depreciation		(2,078)	(2,795)	(2,954)	(2,947)
Property rentals and related expenses		(38,743)	(46,474)	(50,183)	(50,190)
Other expenses		(17,590)	(43,235)	(17,039)	(26,086)
Finance costs	9	<u>(3,588)</u>	<u>(3,915)</u>	<u>(3,797)</u>	<u>(4,240)</u>
Profit before taxation	10	40,074	22,168	37,644	22,644
Taxation	11	<u>(7,055)</u>	<u>(7,815)</u>	<u>(6,972)</u>	<u>(5,538)</u>
Profit and total comprehensive income for the year		<u>33,019</u>	<u>14,353</u>	<u>30,672</u>	<u>17,106</u>
Profit and total comprehensive income for the year attributable to:					
Owners of the Company		33,014	14,229	30,637	17,077
Non-controlling interests		<u>5</u>	<u>124</u>	<u>35</u>	<u>29</u>
		<u>33,019</u>	<u>14,353</u>	<u>30,672</u>	<u>17,106</u>
Earnings per share					
Basic (HK cents)	13	<u>2.20</u>	<u>0.95</u>	<u>2.04</u>	<u>1.14</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group As at 31 March				The Company As at 31 March		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets								
Property, plant and equipment	14	3,865	6,396	6,230	3,780	—	—	—
Deferred tax assets	15	528	514	479	788	—	—	—
Deposits and prepayments	18	14,559	15,556	16,310	16,771	—	—	—
Deposits for purchase of property, plant and equipment		<u>1,142</u>	<u>1,250</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>20,094</u>	<u>23,716</u>	<u>23,019</u>	<u>21,339</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current assets								
Inventories	16	56,913	66,533	61,142	73,398	—	—	—
Trade receivables	17	3,116	18,430	14,847	32,820	—	—	—
Deposits, prepayments and other receivables	18	2,565	7,232	7,625	8,586	4,145	5,112	5,477
Amount due from a director	19	15,549	16,073	18,282	35,880	—	920	2,101
Amounts due from related companies	20	154,657	160,287	125,652	130,938	—	—	—
Bank balances and cash	21	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>	<u>6,308</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>238,395</u>	<u>270,673</u>	<u>247,240</u>	<u>287,930</u>	<u>4,145</u>	<u>6,032</u>	<u>7,578</u>
Current liabilities								
Trade and bills payables	22	25,594	27,913	28,854	35,277	—	—	—
Other payables and accrued charges	23	10,314	15,779	12,635	19,603	5,745	3,392	7,740
Amount due to a related company	20	—	—	8,339	6,463	—	—	—
Amount due to a subsidiary	36	—	—	—	—	10,473	15,933	22,239
Tax payable		9,218	13,111	843	934	—	—	—
Obligation under finance lease	24	—	1,713	—	—	—	—	—
Bank borrowings	25	<u>141,999</u>	<u>173,493</u>	<u>126,536</u>	<u>136,834</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>187,125</u>	<u>232,009</u>	<u>177,207</u>	<u>199,111</u>	<u>16,218</u>	<u>19,325</u>	<u>29,979</u>
Net current assets (liabilities)		<u>51,270</u>	<u>38,664</u>	<u>70,033</u>	<u>88,819</u>	<u>(12,073)</u>	<u>(13,293)</u>	<u>(22,401)</u>
Total assets less current liabilities		<u>71,364</u>	<u>62,380</u>	<u>93,052</u>	<u>110,158</u>	<u>(12,073)</u>	<u>(13,293)</u>	<u>(22,401)</u>
Non-current liabilities								
Derivative financial instrument	26	<u>3,337</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets (liabilities)		<u>68,027</u>	<u>62,380</u>	<u>93,052</u>	<u>110,158</u>	<u>(12,073)</u>	<u>(13,293)</u>	<u>(22,401)</u>



	NOTES	The Group As at 31 March				The Company As at 31 March		
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Capital and reserves								
Share capital	27	17	—	—	—	—	—	
Other reserve		—	17	17	17	—	—	
Retained earnings (Accumulated losses)		<u>68,002</u>	<u>62,231</u>	<u>92,868</u>	<u>109,945</u>	<u>(12,073)</u>	<u>(13,293)</u>	
Equity attributable to owners of the Company		68,019	62,248	92,885	109,962	(12,073)	(13,293)	
Non-controlling interests		<u>8</u>	<u>132</u>	<u>167</u>	<u>196</u>	<u>—</u>	<u>—</u>	
Total equity		<u><u>68,027</u></u>	<u><u>62,380</u></u>	<u><u>93,052</u></u>	<u><u>110,158</u></u>	<u><u>(12,073)</u></u>	<u><u>(13,293)</u></u>	

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to owners of the Company</u>				Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
	At 1 April 2014	10	—	34,988		
Issue of shares of Petracer's China Limited ("Petracer's China")	7	—	—	7	3	10
Profit and total comprehensive income for the year	—	—	33,014	33,014	5	33,019
At 31 March 2015	17	—	68,002	68,019	8	68,027
Profit and total comprehensive income for the year	—	—	14,229	14,229	124	14,353
Transfer arising from reorganisation	(17)	17	—	—	—	—
Dividend declared ( <i>note 12</i> )	—	—	(20,000)	(20,000)	—	(20,000)
At 31 March 2016	—	17	62,231	62,248	132	62,380
Profit and total comprehensive income for the year	—	—	30,637	30,637	35	30,672
At 31 March 2017	—	17	92,868	92,885	167	93,052
Profit and total comprehensive income for the year	—	—	17,077	17,077	29	17,106
At 31 March 2018	—	17	109,945	109,962	196	110,158

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>OPERATING ACTIVITIES</b>				
Profit before taxation	40,074	22,168	37,644	22,644
Adjustments for:				
Depreciation of property, plant and equipment	2,078	2,795	2,954	2,948
Fair value change in derivative financial instrument	103	(834)	—	—
Finance costs	3,588	3,915	3,797	4,240
Loss on written-off of property, plant and equipment	—	—	91	9
	<u>—</u>	<u>—</u>	<u>91</u>	<u>9</u>
Operating cash flows before movements in working capital	45,843	28,044	44,486	29,841
(Increase) decrease in inventories	(13,601)	(9,620)	5,391	(12,256)
Decrease (increase) in trade receivables	4,467	(15,314)	3,583	(17,973)
Decrease (increase) in deposits, prepayment and other receivables	768	(5,664)	(1,147)	(1,422)
Increase in trade and bills payables	5,116	2,319	941	6,423
(Decrease) increase in other payables and accrued charges	(1,645)	5,465	(3,144)	6,968
	<u>(1,645)</u>	<u>5,465</u>	<u>(3,144)</u>	<u>6,968</u>
Net cash generated from operations	40,948	5,230	50,110	11,581
Income tax paid	(1,624)	(1,268)	(19,205)	(5,756)
Purchase of tax reserve certificates/tax deposits paid	(2,275)	(2,640)	—	—
	<u>(2,275)</u>	<u>(2,640)</u>	<u>—</u>	<u>—</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>37,049</u>	<u>1,322</u>	<u>30,905</u>	<u>5,825</u>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	(1,379)	(1,346)	(2,429)	(507)
Payment on termination of derivative financial instrument	—	(2,503)	—	—
Deposits paid for acquisition of property, plant and equipment	(1,142)	(400)	—	—
Advance to a director	(25,108)	(28,031)	(8,467)	(22,803)
Repayment from a director	9,654	7,507	6,258	5,205
Advances to related companies	(1,244)	(8,813)	(65,050)	(5,286)
Repayments from related companies	2,581	3,183	100,485	—
	<u>2,581</u>	<u>3,183</u>	<u>100,485</u>	<u>—</u>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<u>(16,638)</u>	<u>(30,403)</u>	<u>30,797</u>	<u>(23,391)</u>

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FINANCING ACTIVITIES				
Issue of shares	10	—	—	—
Interest paid	(3,588)	(3,915)	(3,797)	(4,240)
Advance from a related company	—	—	9,735	—
Repayment to a related company	—	—	(1,396)	(1,876)
New bank borrowing raised	43,028	63,151	98,530	123,685
Repayment of bank borrowings	(57,373)	(31,657)	(145,487)	(113,387)
Repayment of obligation under finance lease	<u>(151)</u>	<u>(1,975)</u>	<u>(1,713)</u>	<u>—</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES	<u>(18,074)</u>	<u>25,604</u>	<u>(44,128)</u>	<u>4,182</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,337	(3,477)	17,574	(13,384)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>3,258</u>	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTED BY Bank balances and cash	<u>5,595</u>	<u>2,118</u>	<u>19,692</u>	<u>6,308</u>

## NOTES TO HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 25 September 2015. Its immediate holding company is RB Power Limited (“**RB Power**”) and its ultimate holding company is RB Management Holding Limited (the “**Trust Company**”), companies incorporated in the British Virgin Islands (“**BVI**”). They are controlled by Mr. Tso (the “**Controlling Shareholder**”). The Company is an investment holding company and its subsidiaries are principally engaged in trading ceramic tiles in Hong Kong. The address of the Company’s registered office and the principal place of business is disclosed in the section headed “Corporate Information” to the Prospectus.

The Company was formerly known as RBMS Group Limited. Its name changed to MOS House Group Limited on 25 January 2018.

## 2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG5**”) issued by the HKICPA.

In preparation of the listing of the Company’s shares on the Main Board of the Stock Exchange (the “**Listing**”), the companies comprising the Group underwent a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the Prospectus (the “**Reorganisation**”), as described below.

- (i) RB Power was incorporated in the BVI on 9 September 2015 and the authorised share capital of RB Power was 50,000 ordinary shares with a par value of United State Dollar (“**USD**”) 1.00 each. Upon incorporation, one share, representing the entire issued share capital of RB Power was issued to and held by Mr. Tso.
- (ii) The Company was incorporated in the Cayman Islands on 25 September 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. Upon incorporation, one share, representing the entire issued share capital of the Company was issued to and held by RB Power.
- (iii) RBMS Holdings Limited (“**RBMS BVI**”) was incorporated in the BVI on 5 October 2015 and the authorised share capital of RBMS BVI was 50,000 ordinary shares with a par value of HK\$1 each. Upon incorporation, one share, representing the entire issued share capital of RBMS BVI was issued to and held by the Company.
- (iv) On 17 December 2015, RBMS BVI acquired 400 shares in Regent Building Material Supplies Company Limited (“**RBMS HK**”), representing the entire issued share capital of RBMS HK, from Mr. Tso at a consideration of HK\$1. The consideration for such transfer was settled by RB Power issuing and allotting three shares to Mr. Tso on 17 December 2015. Upon completion of such transfer, RBMS HK became a direct wholly owned subsidiary of RBMS BVI.
- (v) On 17 December 2015, RBMS BVI acquired one share in Fortune Rich Limited (“**Fortune Rich**”), representing the entire issued share capital of Fortune Rich, from Mr. Tso at a consideration of HK\$1. The consideration for such transfer was settled by RB Power issuing and allotting two shares to Mr. Tso on 17 December 2015. Upon completion of such transfers, Fortune Rich became a direct wholly owned subsidiary of RBMS BVI.
- (vi) On 17 December 2015, RBMS BVI acquired 10,000 shares in Regent Building Limited (“**Regent Building**”), representing the entire issued share capital of Regent Building, from Mr. Tso at a consideration of HK\$1. The consideration for such transfer was settled by RB Power issuing and allotting two shares to Mr. Tso on 17 December 2015. Upon completion of such transfer, Regent Building became a direct wholly owned subsidiary of RBMS BVI.
- (vii) On 17 December 2015, RBMS BVI acquired 7,000 shares in Petracer’s China, representing 70% of the entire issued share capital of Petracer’s China, from Mr. Tso at a consideration of HK\$1. The consideration for such transfer was settled by RB Power issuing and allotting two shares to Mr. Tso on 17 December 2015. Upon completion of such transfer, Petracer’s China became a direct non-wholly owned subsidiary of RBMS BVI.

(viii) On 18 December 2015, Mr. Tso established a trust (the “**Family Trust**”) through the Trust Company. On 8 March 2016, Mr. Tso transferred the entire issued share capital of RB Power to the Trust Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 17 December 2015. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

Accordingly, the Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG5 issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 March 2015 and 2016, include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2015 and 2016, or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 March 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable.

### 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, which are effective for the Group’s accounting period beginning on 1 April 2017 throughout the Track Record Period.

#### New or revised HKFRSs in issue but not yet effective

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs and interpretations (the “new or revised HKFRSs”) which are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC) — Int 23	Uncertainty over income tax treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 19	Plan amendment, curtailment or settlement <sup>2</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>2</sup>
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

**HKFRS 9 Financial instruments**

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the management of the Group anticipates the following potential impact on initial application of HKFRS 9:

*Classification and measurement:*

- All financial assets, except for payments for life insurance policies, are held with a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, except for the financial assets that are subject to expected credit loss measurement, the financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.
- Payments for life insurance policies as disclosed in note 18 will be classified as financial assets at fair value through profit or loss as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for a life insurance policy would be adjusted to the retained profits as at 1 April 2018 as they considered the carrying amount of the deposits for insurance contracts at 31 March 2018 approximate to its fair value upon initial application of HKFRS 9.

*Impairment:*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and contract assets under HKFRS 15 “Revenue from contracts with customers” that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained profits as at 1 April 2018, with no restatement to prior periods. The management of the Group does not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year ending 31 March 2019. The management of the Group intends to apply HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 ie. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The Group expects to apply the simplified approach to recognise lifetime expected credit loss for its trade receivables. Based on the assessment by the management of the Group, the application of the expected credit loss model is not likely to have material impact on the Group's future financial statements.

#### **HKFRS 15 Revenue from contracts with customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Group intends to apply the limited retrospective method with cumulative effect of initial application adjusted in the opening retained profits as at 1 April 2018 when preparing the consolidated financial statements of the Group for the year ending 31 March 2019. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group intends to elect the application of the standard retrospectively only to the contracts that are not completed at 1 April 2018 and would apply the practical expedient for all content modifications that occurred before the date of initial recognition, with the aggregate effect of all of the modifications reflected at the date of initial application.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the future financial statements.

#### **HKFRS 16 Leases**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.



HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group, as lessee, has non-cancellable operating lease commitments of HK\$34,139,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of HK\$11,028,000 as at 31 March 2018 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost upon application of HKFRS 16 and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for above, the directors of the Company anticipate that the application of the other new or revised HKFRSs will have no material impact on the future's financial statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as appropriate, and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining business first came under control of the controlling entity.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

**Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Impairment loss on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial instruments at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

The Group's and the Company's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, payments for life insurance policies, bank balances and cash and amounts due from related companies and a director) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment of loans and receivables below).

*Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### ***Financial liabilities and equity instruments***

##### *Classification as debt or equity*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

##### *Financial liabilities at amortised cost*

The Group's and the Company's financial liabilities (other than derivative financial instruments) including trade and bills payables, other payables and accrued charges, bank borrowings and amounts due to a related company and a subsidiary are subsequently measured at amortised cost, using the effective interest method.

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

***Retirement benefits costs***

Payments to Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

***Short-term and other long-term employee benefits***

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

**Taxation**

Taxation represents the sum of the income tax expense currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

**Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised throughout the guarantee period on a straight-line basis.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months.

**Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management of the Group will reassess the estimations on a product-by-product basis at the end of the reporting period and write down for obsolete inventories will be made when necessary.

The carrying amounts of inventories are HK\$56,913,000, HK\$66,533,000, HK\$61,142,000 and HK\$73,398,000, respectively, as at 31 March 2015, 2016, 2017 and 2018.

**6. REVENUE AND SEGMENTAL INFORMATION**

Revenue represents the fair value of amounts received and receivable from the sales of goods by the Group to outside customers for the Track Record Period, net of discount.

The Group's operations is solely derived from sales of goods in Hong Kong during the Track Record Period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

**Geographical information**

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of goods delivered. The Group's property, plant and equipment, deposits and prepayments and deposits for purchase of property, plant and equipment in the aggregate amount of HK\$14,286,000, HK\$17,658,000, HK\$16,815,000 and HK\$14,654,000, respectively, as at 31 March 2015, 2016, 2017 and 2018, are all located in Hong Kong by physical location of assets.



**Revenue from major products**

The following is an analysis of the Group's revenue from its major products:

	<b>Year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Porcelain tiles	159,947	182,666	165,763	173,997
Ceramic tiles	5,327	7,813	10,706	5,661
Mosaic tiles	5,883	5,474	4,176	5,275
Bathroom fixtures and others	2,648	6,159	2,799	5,906
	<u>173,805</u>	<u>202,112</u>	<u>183,444</u>	<u>190,839</u>

**7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executive's emoluments**

Mr. Tso was appointed as the executive director of the Company on 25 September 2015 and Ms. Tsui To Fei was appointed as the executive director of the Company on 26 January 2018. Mr. Wan Tat Bond was appointed as the executive director of the Company on 17 December 2015 and was resigned as director of the Company on 6 September 2017. Mr. Leung Wai Chuen was appointed as a non-executive director of the Company on 6 November 2017. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period were as follows:

	<b>Mr. Tso</b>	<b>Ms. Tsui To Fei</b>	<b>Mr. Wan Tat Bond</b>	<b>Mr. Leung Wai Chuen</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2015</b>					
Fees	—	—	—	—	—
Other emoluments					
Salaries and other benefits	2,771	468	—	—	3,239
Discretionary bonus ( <i>note b</i> )	39	39	—	—	78
Retirement benefit scheme contributions	18	18	—	—	36
Total emoluments	<u>2,828</u>	<u>525</u>	<u>—</u>	<u>—</u>	<u>3,353</u>
<b>Year ended 31 March 2016</b>					
Fees	—	—	—	—	—
Other emoluments					
Salaries and other benefits	2,651	468	720	—	3,839
Discretionary bonus ( <i>note b</i> )	39	39	—	—	78
Retirement benefit scheme contributions	18	18	14	—	50
Total emoluments	<u>2,708</u>	<u>525</u>	<u>734</u>	<u>—</u>	<u>3,967</u>

	Mr. Tso HK\$'000	Ms. Tsui To Fei HK\$'000	Mr. Wan Tat Bond HK\$'000	Mr. Leung Wai Chuen HK\$'000	Total HK\$'000
<b>Year ended 31 March 2017</b>					
Fees	—	—	—	—	—
Other emoluments					
Salaries and other benefits	2,489	468	947	—	3,904
Discretionary bonus ( <i>note b</i> )	39	39	80	—	158
Retirement benefit scheme contributions	18	18	18	—	54
Total emoluments	<u>2,546</u>	<u>525</u>	<u>1,045</u>	<u>—</u>	<u>4,116</u>
<b>Year ended 31 March 2018</b>					
Fee	—	—	—	—	—
Other emoluments					
Salaries and other benefits	2,836	588	100	121	3,645
Discretionary bonus ( <i>note b</i> )	69	49	—	—	118
Retirement benefit scheme contributions	18	18	1	2	39
	<u>2,923</u>	<u>655</u>	<u>101</u>	<u>123</u>	<u>3,802</u>

*Notes:*

- The remuneration of Mr. Tso, Ms. Tsui To Fei, Mr. Wan Tat Bond and Mr. Leung Wai Chuen shown above were for the services in connection with their role as management of the Group.
- Discretionary bonus was determined by reference to their duties and responsibilities of the relevant individual within the Group and the Group's performance.

Mr. Tso acts as the chief executive of the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Track Record Period.

**(b) Employees' emoluments**

The five highest paid individuals included one, two, two and two directors of the Company for the years ended 31 March 2015, 2016, 2017 and 2018 respectively and whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining four, three, three and three individuals for the years ended 31 March 2015, 2016, 2017 and 2018 respectively were as follows:

	<b>Year ended 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	2,489	1,788	2,163	2,156
Discretionary bonus	437	449	491	487
Retirement benefit scheme contributions	69	54	54	54
	<u>2,995</u>	<u>2,291</u>	<u>2,708</u>	<u>2,697</u>

The emoluments of non-director employees were within the following bands:

	Year ended 31 March			
	2015	2016	2017	2018
	Number of employees	Number of employees	Number of employees	Number of employees
Nil to HK\$1,000,000	4	3	3	3

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

#### 8. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other income</b>				
Income from government fund	—	—	—	286
Compensation income	—	14	25	37
Others	63	370	288	178
	<u>63</u>	<u>384</u>	<u>313</u>	<u>501</u>
<b>Other gains and losses</b>				
Fair value change in derivative financial instrument	(1,427)	(1,554)	—	—
Net exchange gain (loss)	8,804	(1,907)	1,834	(4,832)
Loss on written-off of property, plant and equipment	—	—	(91)	(9)
	<u>7,377</u>	<u>(3,461)</u>	<u>1,743</u>	<u>(4,841)</u>

#### 9. FINANCE COSTS

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance costs represent interest on:				
— bank borrowings	3,587	3,841	3,776	4,240
— obligations under finance leases	1	74	21	—
	<u>3,588</u>	<u>3,915</u>	<u>3,797</u>	<u>4,240</u>

## 10. PROFIT BEFORE TAXATION

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:				
Auditor's remuneration	200	600	600	500
Directors' emoluments ( <i>note 7</i> )	3,353	3,967	4,116	3,802
Other staff costs:				
Salaries and other benefits	15,682	15,870	15,370	16,870
Retirement benefit scheme contributions	647	689	641	698
Total staff costs	19,682	20,526	20,127	21,370
Operating lease rentals in respect of rented premises	36,750	44,164	47,650	47,668
Listing expenses (included in other expenses)	—	12,021	1,157	9,051

## 11. TAXATION

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax:				
Current year	7,288	7,827	6,736	5,908
(Overprovision) underprovision in prior years	—	(26)	201	(61)
Deferred tax:				
(Credit) charge for the year ( <i>note 15</i> )	(233)	14	35	(309)
	7,055	7,815	6,972	5,538

Prior to and during the Track Record Period, the Hong Kong Inland Revenue Department ("IRD") has raised certain enquiries on the Hong Kong Profits Tax affairs of RBMS HK. Up to 28 February 2015, the IRD has issued protective profits tax assessments against RBMS HK with estimated assessable profits of HK\$49,000,000 in aggregate for the years of assessment 2004/2005 to 2008/2009. RBMS HK has lodged objections with the IRD and the IRD agreed to hold over the tax claimed on the basis that the tax reserve certificate at certain amounts were purchased by RBMS HK.

As at 31 March 2015, the tax reserve certificate of HK\$2,275,000 has been purchased by RBMS HK. RBMS HK has also placed deposits of HK\$2,700,000 to IRD as at 31 March 2015.

Up to 31 March 2015, the IRD has not imposed any penalty to RBMS HK. For the purpose of reporting of the Historical Financial Information of the Group, the directors of the Company are of the opinion that RBMS HK has made adequate provision for Hong Kong Profits Tax for year ended 31 March 2015, however, no provision for potential penalty has been recognised as at 31 March 2015 as there is no reliable estimate for this based on the latest status of the enquires from and replies to the IRD as at 31 March 2015.

During the year ended 31 March 2016, following a meeting with the IRD, RBMS HK has provided additional information to the IRD with a view to reach agreement. On 13 October 2015, RBMS HK has filed a formal proposal with the IRD and the IRD has issued the formal tax assessments for the years of assessments 2004/2005 to 2013/14 on 8 December 2015 with additional tax payable of HK\$8,884,000 in aggregate together with the previously issued protective profit tax assessments for a total profit tax charge of HK\$1,045,000, of which RBMS HK has recognised the relevant tax expense before the Track Record Period. Such tax payable has been settled during the year ended 31 March 2016.

Based on the available information obtained from the IRD by the tax representative of RBMS HK, the penalty in aggregate amounted to HK\$10,640,000. Such amount is recognised as other expenses and fully settled during the year ended 31 March 2016.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

The taxation for the year can be reconciled to the profit before taxation as follows:

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	<u>40,074</u>	<u>22,168</u>	<u>37,644</u>	<u>22,644</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	6,612	3,658	6,211	3,736
Tax effect of expenses not deductible for tax purposes	394	4,179	538	1,847
(Overprovision) underprovision in prior years	—	(26)	201	(61)
Others	<u>49</u>	<u>4</u>	<u>22</u>	<u>16</u>
Taxation for the year	<u>7,055</u>	<u>7,815</u>	<u>6,972</u>	<u>5,538</u>

## 12. DIVIDEND

During the year ended 31 March 2016, RBMS HK declared and paid dividends of HK\$20,000,000 to then shareholders of RBMS HK.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividends have been paid or declared by the Company since its incorporation and during the Track Record Period.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings:				
Earnings for the purpose of calculating basic earnings per share (Profit for the year attributable to the owners of the Company)	<u>33,014</u>	<u>14,229</u>	<u>30,637</u>	<u>17,077</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in note 40 had been effective on 1 April 2014.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	5,780	3,201	1,208	1,709	11,898
Additions	<u>1,795</u>	<u>169</u>	<u>43</u>	<u>—</u>	<u>2,007</u>
At 31 March 2015	7,575	3,370	1,251	1,709	13,905
Additions	1,176	439	23	3,688	5,326
Written-off	<u>(775)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(775)</u>
At 31 March 2016	7,976	3,809	1,274	5,397	18,456
Additions	2,467	342	70	—	2,879
Written-off	<u>(1,149)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,149)</u>
At 31 March 2017	9,294	4,151	1,344	5,397	20,186
Additions	194	225	88	—	507
Written-off	<u>(252)</u>	<u>(52)</u>	<u>(11)</u>	<u>(970)</u>	<u>(1,285)</u>
At 31 March 2018	<u>9,236</u>	<u>4,324</u>	<u>1,421</u>	<u>4,427</u>	<u>19,408</u>
ACCUMULATED DEPRECIATION					
At 1 April 2014	3,160	2,584	832	1,386	7,962
Provided for the year	<u>1,337</u>	<u>260</u>	<u>158</u>	<u>323</u>	<u>2,078</u>
At 31 March 2015	4,497	2,844	990	1,709	10,040
Provided for the year	1,262	277	129	1,127	2,795
Eliminated on written-off	<u>(775)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(775)</u>
At 31 March 2016	4,984	3,121	1,119	2,836	12,060
Provided for the year	1,326	284	115	1,229	2,954
Eliminated on written-off	<u>(1,058)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,058)</u>
At 31 March 2017	5,252	3,405	1,234	4,065	13,956
Provided for the year	1,360	305	53	1,230	2,948
Eliminated on written-off	<u>(252)</u>	<u>(44)</u>	<u>(10)</u>	<u>(970)</u>	<u>(1,276)</u>
At 31 March 2018	<u>6,360</u>	<u>3,666</u>	<u>1,277</u>	<u>4,325</u>	<u>15,628</u>
CARRYING AMOUNTS					
At 31 March 2015	<u>3,078</u>	<u>526</u>	<u>261</u>	<u>—</u>	<u>3,865</u>
At 31 March 2016	<u>2,992</u>	<u>688</u>	<u>155</u>	<u>2,561</u>	<u>6,396</u>
At 31 March 2017	<u>4,042</u>	<u>746</u>	<u>110</u>	<u>1,332</u>	<u>6,230</u>
At 31 March 2018	<u>2,876</u>	<u>658</u>	<u>144</u>	<u>102</u>	<u>3,780</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Shorter of 5 years or the lease term
Furniture and equipment	20%
Computer equipment	20%
Motor vehicles	33 $\frac{1}{3}$ %

The carrying values of motor vehicles included an amount of approximately HK\$2,561,000 in respect of assets held under finance leases as at 31 March 2016.

#### 15. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

	<b>Accelerated accounting depreciation</b> <i>HK\$'000</i>
At 1 April 2014	295
Credit to profit or loss	<u>233</u>
At 31 March 2015	528
Charge to profit or loss	<u>(14)</u>
At 31 March 2016	514
Charge to profit or loss	<u>(35)</u>
At 31 March 2017	479
Credit to profit or loss	<u>309</u>
At 31 March 2018	<u><u>788</u></u>

#### 16. INVENTORIES

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods, at cost	<u>56,913</u>	<u>66,533</u>	<u>61,142</u>	<u>73,398</u>

#### 17. TRADE RECEIVABLES

	<b>As at 31 March</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>3,116</u>	<u>18,430</u>	<u>14,847</u>	<u>32,820</u>

Generally, the Group did not grant any credit period to its retail customers. Credit period of 30–120 days is granted to customers with bulk purchases.

The following is an ageing analysis of trade receivables net of allowance for bad and doubtful debts presented based on the invoice date at the end of the reporting periods.

	As at 31 March			
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	1,931	4,550	4,055	10,235
31–60 days	325	1,045	620	4,324
61–90 days	689	7,802	430	6,431
91–120 days	12	2,371	1,368	6,678
Over 120 days	159	2,662	8,374	5,152
	<u>3,116</u>	<u>18,430</u>	<u>14,847</u>	<u>32,820</u>

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

As at 31 March 2015, 2016, 2017 and 2018, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$2,707,000, HK\$9,039,000, HK\$13,364,000 and HK\$22,620,000 respectively, which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 37 days, 84 days, 158 days and 215 days as at 31 March 2015, 2016, 2017 and 2018, respectively.

Ageing of trade receivables which are past due but not impaired:

	As at 31 March			
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	1,824	1,301	3,447	7,782
31–60 days	164	279	546	2,471
61–90 days	548	4,555	235	5,957
91–120 days	12	242	762	1,258
Over 120 days	159	2,662	8,374	5,152
	<u>2,707</u>	<u>9,039</u>	<u>13,364</u>	<u>22,620</u>

No interest is charged on the trade receivables. The Group has policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the current creditworthiness and the past collection history of each customer.

There is no allowance for bad and doubtful debts being recognised for the Track Record Period.



## 18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

## The Group

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Rental and utilities deposits ( <i>note a</i> )	9,005	9,766	10,939	11,256
Payments for life insurance policies ( <i>note b</i> )	5,280	5,544	5,725	5,897
Prepayments and others	1,964	7,399	6,963	7,748
Other receivables and deposits	875	79	308	456
	<u>17,124</u>	<u>22,788</u>	<u>23,935</u>	<u>25,357</u>
Analysed as:				
Non-current	14,559	15,556	16,310	16,771
Current	<u>2,565</u>	<u>7,232</u>	<u>7,625</u>	<u>8,586</u>
	<u>17,124</u>	<u>22,788</u>	<u>23,935</u>	<u>25,357</u>

## Notes:

- a. There are rental deposits paid to Asian Wealth Limited (“**Asian Wealth**”) of HK\$900,000, HK\$900,000, HK\$900,000 and HK\$900,000, Cyber Building Limited (“**Cyber Building**”) of HK\$450,000, HK\$450,000, HK\$1,440,000 and HK\$1,440,000, and Happy Gear Limited (“**Happy Gear**”) of HK\$430,000, HK\$430,000, HK\$430,000 and HK\$505,000, respectively, as at 31 March 2015, 2016, 2017 and 2018.

These companies are related companies of the Group. Mr. Tso owns 50% equity interest in Asian Wealth and he is the director and controlling shareholder of Cyber Building and Happy Gear.

- b. Before the Track Record Period, the Group has entered into a life insurance policy with an insurance company to insure a director of the Company (the “**First Policy**”). Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD1,000,000 (equivalent to HK\$7,800,000). The Group paid a single premium of USD250,000 (equivalent to HK\$1,950,000) at inception. The Group can, at any time, withdraw cash based on the account value of the policy (“**Account Value**”) at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge deducted from Account Value. This insurance company will pay the Group a guaranteed interest rate of 4.2% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.

The Group has also entered into a life insurance policy with another insurance company to insure the same director of the Company (the “**Second Policy**”). Under this policy, the Group is the beneficiary and policy holder and the total insured sum is USD2,507,610 (equivalent to HK\$19,559,000). The Group paid a single premium of USD500,000 (equivalent to HK\$3,900,000) at inception. The Group can, at any time, withdraw cash based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the 1st to 18th policy year, there is a specified amount of surrender charge deducted from Account Value. This insurance company will pay the Group a guaranteed interest rate of 4.25% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.5% per annum) during the effective period of the policy.

At the inception date of the policies, the upfront payment paid by the Group included a fixed policy premium charge and a deposit. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the life insurance policy. The policy premium, expense and insurance charges are recognised in profit or loss over the expected life of the policies and the deposit placed is carried at amortised cost using the effective interest method. As represented by the directors of the Company, the Group will not terminate the policies nor withdraw cash prior to 15th policy year for the First Policy and 18th policy year for the Second Policy and the expected life of the policies remained unchanged from the initial recognition. The balance of the payments for life insurance policies is denominated in USD, being a currency other than the functional currency of the relevant subsidiary.

#### The Company

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Prepayments and others	4,145	5,112	5,477

#### 19. AMOUNT DUE FROM A DIRECTOR

Amount is non-trade nature, unsecured, interest-free and repayable on demand.

In the opinion of directors of the Company, the amount is expected to be repayable within twelve months from the end of the reporting periods and recovered before the listing of the Company's shares on the Stock Exchange.

Details of amount due from a director disclosed are as follows:

#### The Group

	At 1 April 2014	2015	At 31 March		2018	Maximum amount outstanding during the year ended 31 March			
			2016	2017		2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Tso	95	15,549	16,073	18,282	35,880	24,497	31,027	18,928	37,453

#### The Company

	At 31 March			Maximum amount outstanding during the year ended 31 March		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Tso	—	920	2,101	—	920	2,101

## 20. AMOUNTS DUE FROM/TO RELATED COMPANIES

**Amounts due from related companies**

Amounts are non-trade nature, unsecured, interest-free and are repayable on demand. The amounts due from related companies mainly represented the funding provided by the Group to finance acquisition of properties in Hong Kong by the related companies through the banking facilities of the Group. On the basis that the banking facilities of the Group contain the repayment on demand clause, the related companies are required to settle their outstanding balances when the banks exercise their rights to demand immediate repayment of borrowings by the Group. Accordingly, the amounts due from related companies are classified as current.

On 10 September 2018, certain amounts due from related companies are settled with the dividends declared by the Company under the instruction of Mr. Tso. In the opinion of directors of the Company, the remaining amounts are expected to be repayable before the listing of the Company's shares on the Stock Exchange.

Details of amounts due from related companies are as follows:

	At		At 31 March		Maximum amount outstanding during the year ended				
	1 April		2016	2017	2018	31 March			
	2014	2015	2016	2017	2018	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cyber Building Denmark Investments Limited ("Denmark Investments")	47,852	48,845	50,488	53,529	57,547	49,845	50,608	53,529	57,547
Fortune Goldman Limited ("Fortune Goldman")	—	—	—	26,813	27,813	—	—	26,813	27,813
Happy Gear	—	—	—	405	670	—	—	405	670
Legent Ceramic Limited ("Legent Ceramic")	13	36	36	36	36	36	36	36	36
Wealth Goldman Limited ("Wealth Goldman")	44,140	44,150	44,794	44,869	44,872	44,150	44,794	44,869	44,872
	<u>155,994</u>	<u>154,657</u>	<u>160,287</u>	<u>125,652</u>	<u>130,938</u>				

Mr. Tso is also the director and controlling shareholder of these related companies.

**Amount due to a related company**

The amount is non-trade nature, unsecured, interest-free and repayable on demand.

Details of amount due to a related company are stated as follows:

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fortune Goldman	—	—	8,339	6,463

**21. BANK BALANCES AND CASH**

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. As at 31 March 2015, 2016, 2017 and 2018, the bank balances carry interest at prevailing market rate of 0.5%, 0.5%, 0.5% and 0.5% per annum, respectively.

**22. TRADE AND BILLS PAYABLES**

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	20,270	27,913	27,239	35,277
Bills payables	5,324	—	1,615	—
	<u>25,594</u>	<u>27,913</u>	<u>28,854</u>	<u>35,277</u>

The credit period on purchases of goods is 90 to 180 days. The following is an ageing analysis of trade and bills payables presented based on the invoice date at the end of the reporting periods:

	Trade payables				Bills payables			
	As at 31 March				As at 31 March			
	2015	2016	2017	2018	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	5,762	6,738	7,966	16,335	1,072	—	1,247	—
31–60 days	2,271	5,501	3,319	1,246	1,340	—	368	—
61–90 days	5,861	4,562	3,751	3,566	2,638	—	—	—
91–120 days	3,505	2,724	2,731	3,815	—	—	—	—
121–180 days	1,277	2,964	3,031	6,170	—	—	—	—
Over 180 days	1,594	5,424	6,441	4,145	274	—	—	—
	<u>20,270</u>	<u>27,913</u>	<u>27,239</u>	<u>35,277</u>	<u>5,324</u>	<u>—</u>	<u>1,615</u>	<u>—</u>

**23. OTHER PAYABLES AND ACCRUED CHARGES****The Group**

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits received	7,325	4,480	4,981	7,576
Other payables and accrued charges	2,989	11,299	7,654	12,027
	<u>10,314</u>	<u>15,779</u>	<u>12,635</u>	<u>19,603</u>

**The Company**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Accrued charges	5,745	3,392	7,740

## 24. OBLIGATION UNDER FINANCE LEASE

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysed for reporting purpose as:				
Current	—	1,713	—	—

The Group has leased its motor vehicle under finance lease. The lease term was one and a half years. Interest rate underlying all obligation under finance lease was fixed at contract date at 3.18% per annum.

	Minimum payments				Present value of minimum lease payments			
	At 31 March				At 31 March			
	2015	2016	2017	2018	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance lease								
Within one year	—	1,734	—	—	—	1,713	—	—
In the second to fifth years inclusive	—	—	—	—	—	—	—	—
	—	1,734	—	—	—	1,713	—	—
Less: Future finance charges	—	(21)	—	—	—	—	—	—
Present value of lease obligations	—	1,713	—	—	—	1,713	—	—
Less: Amount due for settlement within one year (shown under current liabilities)					—	(1,713)	—	—
					—	—	—	—

The Group's obligation under finance lease was secured by the lessor's charge over the motor vehicle.

## 25. BANK BORROWINGS

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Secured and guaranteed:				
Bank overdrafts	4,693	16,410	—	8,638
Bank loans	137,306	155,913	126,536	126,221
Trust receipt loans	—	1,170	—	1,975
	<u>141,999</u>	<u>173,493</u>	<u>126,536</u>	<u>136,834</u>
Carrying amount repayable based on schedule repayment terms:				
— on demand or within one year	<u>17,769</u>	<u>35,934</u>	<u>11,977</u>	<u>32,306</u>
Carrying amounts of bank borrowings (shown under current liabilities) contain a repayment on demand clause:				
— within one year	99,679	118,249	114,498	104,528
— in the second year	5,261	3,897	61	—
— in the third to fifth years	8,414	6,757	—	—
— more than five years	<u>10,876</u>	<u>8,656</u>	<u>—</u>	<u>—</u>
	<u>124,230</u>	<u>137,559</u>	<u>114,559</u>	<u>104,528</u>
	<u>141,999</u>	<u>173,493</u>	<u>126,536</u>	<u>136,834</u>

The bank borrowings are at floating rate which carry interest in Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.0% to 4.0% or a spread below Prime Rate/Standard Bills Rate quoted by the banks per annum and the effective interest rate is from 1.24% to 4.25%, 1.23% to 3.25%, 2.44% to 3.75% and 2.25% to 5.00% per annum as at 31 March 2015, 2016, 2017 and 2018, respectively.

As at 31 March 2015, 2016, 2017 and 2018, the bank borrowings are secured by the properties owned by Cyber Building, Denmark Investments, Fortune Goldman, Happy Gear and Wealth Goldman, life insurance policies with carrying amount of HK\$5,280,000, HK\$5,544,000, HK\$5,725,000 and HK\$5,897,000 as at 31 March 2015, 2016, 2017 and 2018, respectively, corporate guarantee from Denmark Investments, Wealth Goldman, Fortune Goldman and Cyber Building and personal guarantee from Mr. Tso.

In the opinion of the directors of the Company, the pledge of properties owned by the related companies, corporate guarantee from related companies and personal guarantee from Mr. Tso will be released upon the listing of the Company's shares on the Stock Exchange.

## 26. DERIVATIVE FINANCIAL INSTRUMENT

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dual currency interest rate swap liability	3,337	—	—	—

In accordance with the agreement, the Group shall pay fixed interest of 0.5% per annum on the notional amount of USD5,131,494.55 semi-annually from 3 October 2011 to 2 October 2012 and floating interest based on pre-determined formula with a cap of 3.55% per annum from 3 October 2012 to 3 October 2018. In return, the Group shall receive floating interest at 1-month HK\$ HIBOR on the notional amount of HK\$40 million monthly from 3 November 2011 to 3 October 2018. On 21 December 2015, the Group has terminated the dual currency interest rate swap at a consideration of USD323,000 (equivalent to HK\$2,503,000). The net fair value losses of approximately HK\$1,427,000 and HK\$1,554,000 are recognised in profit or loss during the years ended 31 March 2015 and 2016, respectively.

**Disclosure — offsetting financial asset and financial liabilities**

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements (“ISDA Agreements”) with a bank. The below recognised financial asset and financial liabilities are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts. Details are set out below.

At 31 March 2015

	Related amounts not set off in the consolidated statements of financial position			
	Gross/net amounts presented on consolidated statements of financial position HK\$'000	Financial instrument HK\$'000	Cash collateral received/ pledged HK\$'000	Net amount HK\$'000
Recognised financial asset:				
— Bank balance	132	(132)	—	—
Recognised financial liabilities				
— Dual currency interest rate swap	(3,337)	—	132	(3,205)
— Bank borrowings	(35,518)	—	—	(35,518)
Total	(38,855)	—	132	(38,723)

## 27. SHARE CAPITAL

**The Group**

The share capital at 1 April 2014 represented the aggregated issued share capital of Fortune Rich, RBMS HK and Regent Building. The share capital at 31 March 2015 represented the aggregated issued share capital of Fortune Rich, RBMS HK, Petracor's China and Regent Building. The share capital at 31 March 2016, 2017 and 2018 represented the share capital of the Company.

**The Company**

The Company was incorporated in the Cayman Islands on 25 September 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. Upon incorporation and as at 31 March 2016, 2017 and 2018, one share, representing the entire issued share capital of the Company was issued to and held by RB Power.

## 28. OPERATING LEASE COMMITMENTS

**The Group as lessee**

At the end of the each reporting period, the Group had commitments for future minimum lease payments in respect of office, warehouse and shop premises under non-cancellable operating leases which fall due as follows:

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	19,106	37,538	38,218	31,011
In the second to fifth years inclusive	9,593	35,772	19,865	3,128
	<u>28,699</u>	<u>73,310</u>	<u>58,083</u>	<u>34,139</u>

Leases are negotiated and monthly rentals are fixed for term of one to three years.

Certain lease agreements entered into between the landlord and the Group include a renewal option at the discretion of the Group for a further two to three years from the end of the existing lease without a fixed rental being agreed at the moment. Accordingly, this is not included in the above commitment.

In addition, Legent Ceramic has signed lease agreements on the Group's behalf for premises which are occupied by the Group for retail shops for the years ended 31 March 2015, 2016 and 2017. The operating lease commitments are not included in the above.

## 29. CAPITAL COMMITMENT

	As at 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the Historical Financial Information	—	1,017	400	400



**30. RETIREMENT BENEFITS SCHEME**

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

The retirement benefits scheme contributions made by the Group amounted to HK\$683,000, HK\$739,000, HK\$695,000 and HK\$737,000 for the years ended 31 March 2015, 2016, 2017 and 2018, respectively.

**31. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

Name of related company	Nature of transactions	Year ended 31 March			
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Cyber Building	Rental expenses	2,400	2,400	5,040	6,360
Denmark Investments	Rental expenses	1,250	3,120	3,360	3,360
Happy Gear	Rental expenses	2,520	2,520	2,520	2,520
Fortune Goldman	Rental expenses	4,440	4,600	4,920	4,920
Asian Wealth	Rental expenses	1,800	1,800	1,800	1,800
		<u>12,410</u>	<u>14,440</u>	<u>17,640</u>	<u>18,960</u>

At the end of each reporting period, the Group has operating lease commitments for future minimum payments under non-cancellable operating leases with the above related companies, which fall due as follows:

	As at 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within one year	—	13,200	9,130	8,800
In the second to fifth year	—	8,800	—	—
	<u>—</u>	<u>22,000</u>	<u>9,130</u>	<u>8,800</u>

These operating lease commitment had been included in the amounts as shown in note 28.

During the Track Record Period, the Group provided corporate guarantee to banks for general banking facilities granted to the related companies. Details are disclosed in note 33.

During the Track Record Period, Legent Ceramic has entered into tenancy agreements on the Group's behalf for the premises occupied by the Group for retail shops. The total building management fee, rent and rates paid and payable to landlords under the tenancy agreements entered into by Legent Ceramic recognised as expenses by the Group are as follows:

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building management fee, rent and rates	9,504	8,074	392	—

The Group has ceased the above arrangement during the year ended 31 March 2017.

During the year ended 31 March 2018, a fully depreciated motor vehicle was disposed to Mr. Tso at zero consideration.

#### Compensation of key management personnel

The key management personnel of the Group represented the directors of the Company, which their remunerations are disclosed in note 7.

### 32. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2016, the Group acquired a motor vehicle through finance lease at a consideration of HK\$3,688,000. Also, the dividend of HK\$20,000,000 declared and paid by RBMS HK during the year ended 31 March 2016 was settled through the current account due from Mr. Tso.

### 33. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES

On 10 August 2009, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$42,000,000 to Asian Wealth for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Asian Wealth. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner Consultancy & Appraisals Limited ("Access Partner"), independent qualified professional valuer not connected with the Group. The address of Access Partner is Unit C, 9/F, Lucky Plaza, 315-321 Lockhart Road, Wanchai, Hong Kong. The initial fair value of this financial guarantee was insignificant. As at 31 March 2015 and 2016, Asian Wealth has utilised the banking facilities of HK\$35,101,000 and HK\$33,830,000, respectively. During the Track Record Period, there is no default payment by Asian Wealth. On 23 May 2016, this financial guarantee has been released.

On 16 August 2010, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$35,400,000 in aggregate to Denmark Investments and Wealth Goldman for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Denmark Investments. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2015 and 2016, Denmark Investments and Wealth Goldman have utilised the banking facilities of HK\$28,105,000 and HK\$26,435,000, respectively. During the Track Record Period, there is no default payment by Denmark Investments and Wealth Goldman. On 21 October 2016, this financial guarantee has been released.

On 29 February 2012, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$28,500,000 to Cyber Building for a maturity period of 15 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2015, 2016, 2017 and 2018, Cyber Building has utilised the banking facilities of HK\$23,676,000, HK\$21,944,000, HK\$20,175,000 and HK\$18,361,000, respectively. During the Track Record Period, there is no default payment by Cyber Building.

On 8 June 2012, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$29,000,000 to Fortune Goldman for a maturity period of 7 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31

March 2015 and 2016, Fortune Goldman has utilised the banking facilities of HK\$25,375,000 and HK\$23,925,000, respectively. During the Track Record Period, there is no default payment by Fortune Goldman. On 21 October 2016, this financial guarantee has been released.

On 17 April 2013, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$47,500,000 to Happy Gear for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Happy Gear. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2015, 2016, 2017 and 2018, Happy Gear has utilised the banking facilities of HK\$43,036,000, HK\$40,707,000, HK\$38,556,000 and HK\$36,438,000, respectively. During the Track Record Period, there is no default payment by Happy Gear.

On 16 April 2014, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$26,000,000 to Wealth Goldman for a maturity period of 12 years. The banking facilities are also pledged by a premise in Hong Kong owned by Wealth Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2015, 2016, 2017 and 2018, Wealth Goldman has utilised the banking facilities of HK\$24,673,000, HK\$22,661,000, HK\$20,627,000 and HK\$18,584,000, respectively. During the Track Record Period, there is no default payment by Wealth Goldman.

On 11 May 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$46,000,000 to Fortune Goldman for a maturity period of 3 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2017 and 2018, Fortune Goldman has utilised the banking facilities of HK\$44,319,000 and HK\$41,786,000, respectively. During the Track Record Period, there is no default payment by Fortune Goldman.

On 12 August 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$38,000,000 to Denmark Investments for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Denmark Investments. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2017 and 2018, Denmark Investments has utilised the banking facilities of HK\$37,626,000 and HK\$36,719,000, respectively. During the Track Record Period, there is no default payment by Denmark Investments.

On 12 August 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$23,200,000 to Fortune Goldman for a maturity period of 30 years. The banking facilities are also pledged by a premise in Hong Kong owned by Fortune Goldman. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2017 and 2018, Fortune Goldman has utilised the banking facilities of HK\$22,972,000 and HK\$22,418,000, respectively. During the Track Record Period, there is no default payment by Fortune Goldman.

On 17 October 2016, the Group provided a corporate guarantee to a bank in relation to the granting of banking facilities of HK\$10,000,000 to Cyber Building for a maturity period of 20 years. The banking facilities are also pledged by a premise in Hong Kong owned by Cyber Building. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Access Partner. The initial fair value of this financial guarantee was insignificant. As at 31 March 2017 and 2018, Cyber Building has utilised the banking facilities of HK\$9,869,000 and HK\$9,501,000, respectively. During the Track Record Period, there is no default payment by Cyber Building.

The directors of the Company expect that the above financial guarantees provided to the banks in relation to banking facilities granted to related companies will be released upon the listing of the Company's shares on the Stock Exchange.

## 34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Company, comprising share capital and retained profits.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share repurchase as well as the issue of new debt.

## 35. FINANCIAL INSTRUMENTS

## (a) Categories of financial instruments

	As at 31 March			
	2015	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group</b>				
<b>Financial assets</b>				
Loans and receivables (including cash and cash equivalents)	<u>185,072</u>	<u>202,531</u>	<u>184,506</u>	<u>212,299</u>
<b>Financial liabilities</b>				
Amortised costs	170,582	212,705	171,383	190,601
Derivative financial instrument	3,337	—	—	—
Obligation under finance lease	<u>—</u>	<u>1,713</u>	<u>—</u>	<u>—</u>
<b>As at 31 March</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<b>The Company</b>				
<b>Financial assets</b>				
Loans and receivables		<u>—</u>	<u>920</u>	<u>2,101</u>
<b>Financial liabilities</b>				
Amortised costs		<u>16,218</u>	<u>19,325</u>	<u>29,979</u>

**(b) Financial risk management objectives and policies**

The Group's major financial instruments include trade receivables, deposits and other receivables, payments for life insurance policies, bank balances and cash, trade and bills payables, amounts due from (to) a director and related companies, other payables and accrued charges, bank borrowings, derivative financial instrument and obligation under finance lease. The Company's financial instruments include amount due from a director, accrued charges and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

**(i) Market risk***Currency risk*

The Group has foreign currency transactions, which exposes it to foreign currency risk. Approximately 99% of the purchases are denominated in the currencies other than the functional currency of the relevant group entities during the Track Record Period.

At the end of the reporting period, the carrying amounts of foreign currency denominated monetary assets and monetary liabilities recognised in the Historical Financial Information are as follows:

**As at 31 March 2015**

	<b>EUR</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>
Trade receivables	333	—	—
Payments for life insurance policies	—	5,280	—
Bank balances and cash	141	133	53
Trade and bills payables	24,507	—	—
Bank borrowings	13,076	—	—
Derivative financial instrument	—	3,337	—
	<u>          </u>	<u>          </u>	<u>          </u>

**As at 31 March 2016**

	<b>EUR</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>
Trade receivables	908	—	—
Payments for life insurance policies	—	5,544	—
Bank balances and cash	104	133	92
Trade payables	26,873	—	—
Bank borrowings	19,524	—	—
	<u>          </u>	<u>          </u>	<u>          </u>

**As at 31 March 2017**

	<b>EUR</b> <i>HK\$'000</i>	<b>USD</b> <i>HK\$'000</i>	<b>RMB</b> <i>HK\$'000</i>
Trade receivables	17	—	—
Payments for life insurance policies	—	5,725	—
Bank balances and cash	176	164	92
Trade and bills payables	28,326	—	—
Bank borrowings	3,089	—	—
	<u>          </u>	<u>          </u>	<u>          </u>

As at 31 March 2018

	EUR HK\$'000	USD HK\$'000	RMB HK\$'000
Trade receivables			
Payments for life insurance policies	—	5,897	—
Bank balances and cash	176	163	81
Trade and bills payables	35,277	43	—
Bank borrowings	<u>23,668</u>	<u>—</u>	<u>—</u>

*Sensitivity analysis*

Since the exchange rate of HK\$ pegged with USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates.

The following table details the Group's sensitivity analysis to a 10% increase and decrease in functional currency of the relevant group entities (i.e. HK\$) against relevant foreign currencies (other than USD) and all other variables were held constant. 10% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates an increase (decrease) in the post-tax profit for the year where HK\$ strengthening 10% against the relevant foreign currencies. For a 10% weaken of HK\$ against the relevant foreign currencies there would be an equal and opposite impact on the result for the year.

	Year ended 31 March			
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Increase (decrease) in post-tax profit for the year				
EUR	3,099	3,790	2,607	4,907
RMB	<u>(4)</u>	<u>(8)</u>	<u>(8)</u>	<u>(7)</u>

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the Group's obligation under finance lease (note 24). The Group is also exposed to cash flow interest rate risk in relation to the Group's bank balances, payments for life insurance policies and variable-rate bank borrowings (note 25). During the years ended 31 March 2015 and 2016, the Group is exposed to cash flow interest rate risk relating to derivative financial instrument.

Both bank borrowings and derivative financial instrument are concentrated on fluctuation on HIBOR. The Group currently does not have interest rate risk hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk on bank borrowings. The sensitivity analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on bank balances, payments for life insurance policies and dual currency interest rate swap as the management of the Group considers that the interest rate fluctuation on bank balances, payments for life insurance policies and dual currency interest rate swap is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis points increase or decrease is used during the years, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

	Year ended 31 March			
	2015	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease in post-tax profit for the year	<u>593</u>	<u>724</u>	<u>528</u>	<u>571</u>

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

**(ii) Credit risk**

The Group trades with a large number of individual customer. During the Track Record Period, the Group has concentration of credit risk with exposure limited to certain customers. Approximately 38%, 56%, 26% and 37% of the Group's trade receivables as at 31 March 2015, 2016, 2017 and 2018 respectively, are from the customers located in the People's Republic of China. These customers are within the same industry of the Group. The management closely monitors the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Other than disclosed above, the Group does not have significant credit risk exposure to any single individual customer.

The Group has significant concentration of credit risk on amounts due from related companies and a director as the credit risk is attributable to three related parties and a director. The management of the Group consider the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

The Group has concentration of credit risk on payments for life insurance policies on two insurance companies. Management of the Group considers the counterparties are financial institutions with good reputation and the Group considers that the credit risk is insignificant.

For the financial guarantees, those guarantees are provided to related companies and the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favour of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation and the Group has limited exposure to any single financial institution.

**(iii) Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities which has been drawn up based on the undiscounted cash flows of the non-derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instrument. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on the derivative that require gross settlement. The liquidity analysis for the Group's derivative financial instrument are prepared based on the contractual maturities as management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivative.

	Effective interest rate %	On demand HK\$'000	1-3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
<b>The Group</b>							
<b>As at 31 March 2015</b>							
<b>Non-derivative financial liabilities</b>							
Trade and bills payables	N/A	—	12,949	12,645	—	25,594	25,594
Other payables and accrued charges	N/A	—	2,989	—	—	2,989	2,989
Bank borrowings	2.49	128,923	10,085	3,139	—	142,147	141,999
Financial guarantee contracts	N/A	208,400	—	—	—	208,400	—
		<u>337,323</u>	<u>26,023</u>	<u>15,784</u>	<u>—</u>	<u>379,130</u>	<u>170,582</u>
Derivative — gross settlement							
— inflow		—	(24)	(72)	(240)	(336)	
— outflow		—	710	710	4,260	5,680	
		<u>—</u>	<u>686</u>	<u>638</u>	<u>4,020</u>	<u>5,344</u>	<u>3,337</u>
<b>As at 31 March 2016</b>							
<b>Non-derivative financial liabilities</b>							
Trade and bills payables	N/A	—	14,630	13,283	—	27,913	27,913
Other payables and accrued charges	N/A	—	11,299	—	—	11,299	11,299
Bank borrowings	2.57	153,968	14,681	4,952	—	173,601	173,493
Obligation under finance lease	3.18	—	473	1,261	—	1,734	1,713
Financial guarantee contracts	N/A	208,400	—	—	—	208,400	—
		<u>362,368</u>	<u>41,083</u>	<u>19,496</u>	<u>—</u>	<u>422,947</u>	<u>214,418</u>
<b>As at 31 March 2017</b>							
<b>Non-derivative financial liabilities</b>							
Trade and bills payables	N/A	—	16,396	12,458	—	28,854	28,854
Other payables and accrued charges	N/A	—	7,654	—	—	7,654	7,654
Amount due to a related company	N/A	8,339	—	—	—	8,339	8,339
Bank borrowings	2.92	114,559	7,937	4,124	—	126,620	126,536
Financial guarantee contracts	N/A	219,200	—	—	—	219,200	—
		<u>342,098</u>	<u>31,987</u>	<u>16,582</u>	<u>—</u>	<u>390,667</u>	<u>171,383</u>
<b>As at 31 March 2018</b>							
<b>Non-derivative financial liabilities</b>							
Trade and bills payables	N/A	—	17,450	17,827	—	35,277	35,277
Other payables and accrued charges	N/A	—	12,027	—	—	12,027	12,027
Amount due to a related company	N/A	6,463	—	—	—	6,463	6,463
Bank borrowings	3.45	109,663	13,889	13,568	—	137,120	136,834
Financial guarantee contracts	N/A	183,807	—	—	—	183,807	—
		<u>299,933</u>	<u>43,366</u>	<u>31,395</u>	<u>—</u>	<u>374,694</u>	<u>190,601</u>



	Effective interest rate %	On demand HK\$'000	1-3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amount HK\$'000
<b>The Company</b>							
<b>As at 31 March 2016</b>							
<b>Non-derivative financial liabilities</b>							
Accrued charges	N/A	—	5,745	—	—	5,745	5,745
Amount due to a subsidiary	N/A	10,473	—	—	—	10,473	10,473
		<u>10,473</u>	<u>5,745</u>	<u>—</u>	<u>—</u>	<u>16,218</u>	<u>16,218</u>
<b>As at 31 March 2017</b>							
<b>Non-derivative financial liabilities</b>							
Accrued charges	N/A	—	3,392	—	—	3,392	3,392
Amount due to a subsidiary	N/A	15,933	—	—	—	15,933	15,933
		<u>15,933</u>	<u>3,392</u>	<u>—</u>	<u>—</u>	<u>19,325</u>	<u>19,325</u>
<b>As at 31 March 2018</b>							
<b>Non-derivative financial liabilities</b>							
Accrued charges	N/A	—	7,740	—	—	7,740	7,740
Amount due to a subsidiary	N/A	22,239	—	—	—	22,239	22,239
		<u>22,239</u>	<u>7,740</u>	<u>—</u>	<u>—</u>	<u>29,979</u>	<u>29,979</u>

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 33.

As at 31 March 2015, 2016, 2017 and 2018, bank borrowings with a repayment on demand clause is included in the "On demand" time band in the above maturity analysis. As at 31 March 2015, 2016, 2017 and 2018, the aggregate carrying amount of these bank borrowings amounted to approximately HK\$124,230,000, HK\$137,559,000, HK\$114,559,000 and HK\$104,528,000, respectively. Taking into account the Group's financial position, management does not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 1 months HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total	Total
							undiscounted cash flows HK\$'000	carrying amount HK\$'000
<b>Bank borrowings:</b>								
As at 31 March 2015	2.49	89,428	5,095	5,583	14,508	11,191	125,805	124,230
As at 31 March 2016	2.30	97,390	4,371	17,070	11,329	8,863	139,023	137,559
As at 31 March 2017	3.05	100,636	4,272	9,773	61	—	114,742	114,559
As at 31 March 2018	3.06	96,042	1,807	6,803	—	—	104,652	104,528

(c) **Fair value of the Group's financial liability that is measured at fair value on a recurring basis**

Financial liabilities	Fair value as at 31 March				Fair value hierarchy	Valuation techniques and key inputs
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000		
Derivative financial instrument	3,337	—	—	—	Level 2	Valuation technique: Discounted cash flow and option pricing model Key input: Forward interest rates, forward exchanges rates, discount rate, HSBC Dynamic Term Premium Index as published on Bloomberg Screen and its volatility.

There were no transfers between Level 1 and 2 during Track Record Period.

(d) **Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost.**

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

**36. AMOUNT DUE TO A SUBSIDIARY**

The amount is unsecured, interest-free and repayable on demand.

## 37. RESERVE OF THE COMPANY

	<b>Accumulated losses</b> <i>HK\$'000</i>
At 25 September 2015 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(12,073)</u>
At 31 March 2016	(12,073)
Loss and total comprehensive expense for the year	<u>(1,220)</u>
At 31 March 2017	(13,293)
Loss and total comprehensive expense for the year	<u>(9,108)</u>
At 31 March 2018	<u><u>(22,401)</u></u>

## 38. MOVEMENT ON THE GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<b>Amount due to a related company</b> <i>HK\$'000</i>	<b>Bank borrowings</b> <i>HK\$'000</i>	<b>Obligation under finance lease</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2014	—	156,344	151	156,495
Financing cash flows	—	(17,932)	(152)	(18,084)
Finance costs recognised	—	<u>3,587</u>	<u>1</u>	<u>3,588</u>
At 31 March 2015	—	141,999	—	141,999
Acquisition of a motor vehicle ( <i>note 32</i> )	—	—	3,688	3,688
Financing cash flows	—	27,653	(2,049)	25,604
Finance costs recognised	—	<u>3,841</u>	<u>74</u>	<u>3,915</u>
At 31 March 2016	—	173,493	1,713	175,206
Financing cash flows	8,339	(50,733)	(1,734)	(44,128)
Finance costs recognised	—	<u>3,776</u>	<u>21</u>	<u>3,797</u>
At 31 March 2017	8,339	126,536	—	134,875
Financing cash flows	(1,876)	6,058	—	4,182
Finance costs recognised	—	<u>4,240</u>	—	<u>4,240</u>
At 31 March 2018	<u>6,463</u>	<u>136,834</u>	<u>—</u>	<u>143,297</u>

## 39. INTERESTS IN SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Company				the date of this report	Principal activities	Notes
				2015	2016	2017	2018			
<i>Directly held:</i>										
RBMS BVI	BVI 5 October 2015	Hong Kong	HK\$1 Ordinary shares	—	100%	100%	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>										
Fortune Rich	Hong Kong 10 July 2009	Hong Kong	HK\$1 Ordinary shares	100%	100%	100%	100%	100%	Leasing of properties for group companies	(b)
Petracer's China	Hong Kong 10 November 2014	Hong Kong	HK\$10,000 Ordinary shares	70%	70%	70%	70%	70%	Trading of ceramic tiles	(c)
RBMS HK	Hong Kong 11 March 1998	Hong Kong	HK\$400 Ordinary shares	100%	100%	100%	100%	100%	Trading of ceramic tiles	(d)
Regent Building	Hong Kong 22 February 2010	Hong Kong	HK\$10,000 Ordinary shares	100%	100%	100%	100%	100%	Leasing of properties for group companies	(e)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

*Notes:*

- (a) No audited financial statements of the Company and RBMS BVI have been prepared since their respective date of incorporation as they are incorporated in the jurisdictions where there are no statutory audit requirements.
- (b) The statutory financial statements of Fortune Rich for the years ended 31 March 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. No statutory audited financial statements of Fortune Rich have been prepared for the year ended 31 March 2018 as the financial statements have not yet been due to issue.
- (c) The statutory financial statements of Petracer's China for the period from the date of incorporation to 31 March 2016 and for the year ended 31 March 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. No statutory audit financial statements of Petracer's China have been prepared for the year ended 31 March 2018 as the financial statements have not yet been due to issue.
- (d) The statutory financial statements of RBMS HK for the years ended 31 March 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. No statutory audit financial statements of RBMS HK have been prepared for the year ended 31 March 2018 as the financial statements have not yet been due to issue.
- (e) The statutory financial statements of Regent Building for the years ended 31 March 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us. No statutory audit financial statements of Regent Building have been prepared for the year ended 31 March 2018 as the financial statements have not yet been due to issue.

**40. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

- (1) On 10 September 2018, the Company declared dividends of HK\$109,000,000 to the shareholder of the Company. The dividends are settled through the amounts due from related companies under the instruction by Mr. Tso.
- (2) On 20 September 2018, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of the Shareholders of our Company passed on 20 September 2018" in Appendix IV of the Prospectus. It was resolved, among other things:
  - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new shares of HK\$0.01 each;
  - (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share option has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and
  - (iii) conditional upon the share premium account of the Company being credited as a result of the share offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$14,999,999.99 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 1,499,999,999 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 20 September 2018.

**41. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, any of its subsidiaries or the Group in respect of any period subsequent to 31 March 2018.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the four years ended 31 March 2018 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants (the "Accountants' Report"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of the Group as if the Share Offer had taken place on 31 March 2018.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2018 or any future dates following the Share Offer.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share <i>HK\$</i> <i>(Note 3)</i>
<b>Based on Offer Price of HK\$0.19 per Offer Share</b>	109,962	76,217	186,179	0.093
<b>Based on Offer Price of HK\$0.25 per Offer Share</b>	109,962	104,717	214,679	0.107

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Share Offer are based on 500,000,000 new Shares at the Offer Price of lower limit and upper limit of HK\$0.19 and HK\$0.25 per Offer Share, respectively, after deduction of the underwriting fees and other related expenses incurred, and to be incurred by the Company since 1 April 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General mandate to allot and issue new shares" or the section headed "General mandate to buy back shares" in this prospectus.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 2,000,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General mandate to allot and issue new shares" or the section headed "General mandate to buy back shares" in this prospectus.
- (4) Assuming the dividends of HK\$109,000,000 declared on 10 September 2018 had been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would have been HK\$0.039 and HK\$0.053 at the Offer Price of HK\$0.19 and HK\$0.25 per Offer Share, respectively, which is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group amounting to HK\$77,179,000 and HK\$105,679,000, respectively, after taking into consideration of the declaration of dividends of HK\$109,000,000.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.**

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of MOS House Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of MOS House Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 September 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Share Offer**”) on the Group's financial position as at 31 March 2018 as if the Share Offer had taken place at 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the four years ended 31 March 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).



### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 September 2018

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and its articles of association (the “Articles”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 September 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is

due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with

regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in



proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and general meetings requisitioned by shareholders*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member

which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.



Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

#### (c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 27 October, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Register of Beneficial Ownership**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.



**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 25 September 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 February 2016. We have established a principal place of business in Hong Kong at 50/F, China Online Centre, 333 Lockhart Road, Wan Chai, Hong Kong. Mr. Tso who resides at House C35, Regalia Bay, 88 Wong Ma Kok Road, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman company law is set out in Appendix III to this prospectus.

**2. Changes in the share capital of our Company**

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each and one Share was allotted and issued to the initial subscriber and such share was transferred to RB Power on the same day.

On 20 September 2018, our Company increased its authorised share capital to HK\$50,000,000 divided into 5,000,000,000 Shares with a par value of HK\$0.01 each by the creation of 4,962,000,000 additional Shares.

Immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, all fully paid or credited as fully paid and 3,000,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraphs headed “A. Further information about our Group — 3. Resolutions in writing of the Shareholder of our Company passed on 20 September 2018” below in this Appendix, there has been no alteration in the share capital of the Company since its incorporation.

**3. Resolutions in writing of the Shareholder of our Company passed on 20 September 2018**

- (i) Pursuant to written resolutions of the Shareholder of our Company passed on 20 September 2018:
  - (a) we approved and adopted the Memorandum of Association with immediate effect;
  - (b) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;

- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$50,000,000 divided into 5,000,000,000 Shares by the creation of 4,962,000,000 additional Shares of HK\$0.01 each;
- (d) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
  - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$14,999,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,499,999,999 Shares, such Shares to be allotted and issued to our Shareholder(s) as of the date of the passing of the resolution on a pro rata basis.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares not exceeding 20% of the total number of Shares in issue immediately following the completion of the Share Offer and Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company, or the expiration of the period within which the next annual

general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (f) above.

#### **4. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

#### **5. Changes in share capital of subsidiaries**

Our subsidiaries are referred to in the accountants’ report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the accountants’ report and in the section headed “History, Reorganisation and corporate structure” in this prospectus, our Company has no other subsidiaries.

There are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

## 6. Buy backs of our Shares

### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### *(i) Shareholders' approval*

All proposed buy back of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to resolution passed by our Shareholder on 20 September 2018, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the buy back of Shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

#### *(ii) Source of funds*

Buy backs must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

### *(b) Reasons for buy backs*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to buy back Shares in the market. Buy backs of Shares will only be made when our Directors believe that such buy backs will benefit our Company and its members. Such buy backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

### *(c) Funding of buy backs*

In buying back securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any buy back of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buy back and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company. Subject to the Cayman Companies Law, a buy back of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

**(d) Share capital**

Exercise in full of the Buyback Mandate, on the basis of 2,000,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 200,000,000 Shares being bought back by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

**(e) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities buy back pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory

offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate shall be 200,000,000 Shares, being 10% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 83.33% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buy back of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

## **B. INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**






The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date in this prospectus that are or may be material:

- (a) the deed of indemnity dated 20 September 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) in respect of, amongst others, taxation and property matters referred to in the paragraph headed “Tax and other indemnities” in this Appendix;
- (b) the Deed of Non-Competition; and
- (c) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Expiry Date
	303650977	35	RBMS HK	Hong Kong	6 January 2026
	304079197	35	RBMS HK	Hong Kong	15 March 2027
	303410478	35	RBMS HK	Hong Kong	14 May 2025
	7172562	35	RBMS HK	PRC	13 September 2020
	7172563	35	RBMS HK	PRC	27 October 2020

### (b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
rbmsgroup.com	RBMS HK	14 September 2018	14 September 2019



## C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

## 1. Directors

*(a) Disclosure of interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue and without taking into account Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

*(i) Interest in our Company*

Name of Director	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Tso	Beneficiary of a trust	1,500,000,000(L) <sup>(2)</sup>	75%
Ms. Tsui	Interest of spouse	1,500,000,000(L) <sup>(3)</sup>	75%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) After the completion of the Reorganisation, RB Power became wholly owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso as one of the beneficiaries. By virtue of the SFO, Mr. Tso is deemed to be interested in the Share held by RB Power.
- (3) Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of shares in which Mr. Tso is interested.

*(ii) Interest in associated corporations of our Company*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Percentage of shareholding interest</b>
Mr. Tso	RB Power	Beneficiary of a trust	1	100%
Ms. Tsui	RB Power	Interest of spouse	1 <sup>(Note)</sup>	100%

*Note:* Ms. Tsui is the spouse of Mr. Tso. Under Part XV of the SFO, Ms. Tsui is deemed to be interested in the same number of shares in which Mr. Tso is interested.

*(b) Particulars of service contracts and letters of appointment*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

*(c) Directors' remuneration*

Our executive Directors are entitled to emoluments and shall be paid a remuneration on the basis of a twelve-month year. The current annual remuneration (including fees, salaries, contributions to pension schemes, allowances, other benefits in kind) of Mr. Tso and Ms. Tsui for the year ended 31 March 2018 are as follows:

<b>Name</b>	<b>Annual Directors' remuneration (HK\$)</b>
Mr. Tso	2,923,000
Ms. Tsui	655,000

Our non-executive Director and independent non-executive Directors have been appointed for a term of three years. Mr. Leung Wai Chuen, our non-executive Director, is entitled to an annual director fee HK\$300,000 per annum. Each of Mr. Ho Wing Tim, Mr. Ng Wang To and Ms. Law Chui Yuk, our independent non-executive Directors, is entitled to an annual director fee of HK\$240,000 per annum.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind of our Directors for the year ending 31 March 2019 is estimated to be no more than HK\$4.3 million.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment” above in this Appendix.

## 2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of interest in our Company immediately following the completion of the Share Offer and the Capitalisation Issue
TMF (Cayman) Ltd.	Trustee of a trust	1,500,000,000(L) <sup>(2)</sup>	75%
RB Management	Interest of a controlled corporation	1,500,000,000(L) <sup>(2)</sup>	75%
RB Power	Beneficial owner	1,500,000,000(L) <sup>(2)</sup>	75%

*Note:*

(1) The letter “L” denotes the person’s long position in the Shares.

(2) After the completion of the Reorganisation, RB Power became wholly owned by RB Management, the holding vehicle incorporated in the BVI used by TMF (Cayman) Ltd., the trustee of the Family Trust, which is a discretionary trust established by Mr. Tso (as the settlor) with Mr. Tso and Mr. Tso’s family members as beneficiaries. By virtue of the SFO, each of TMF (Cayman) Ltd. and RB Management is deemed to be interested in the Share held by RB Power.

## 3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

#### 4. Disclaimers

Save as disclosed this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other information — 9. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other information — 9. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the number of issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

**D. OTHER INFORMATION****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 20 September 2018.

**(a) Purpose**

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) Who may join**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

*(c) Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

*(d) Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer, being 200,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the

specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

***(e) Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her close associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
  - (aa) the Eligible Participant's name, address and occupation;
  - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
  - (cc) the date upon which an offer for an option must be accepted;

- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of expiry of the option as may be determined by the Board;
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and.
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable and not being inconsistent with the Share Option Scheme and the Listing Rules.

*(f) Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.



*(g) Granting options to a director, chief executive or substantial shareholder of our Company or any at their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

***(h) Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to our Company's knowledge until it has been announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(i) Rights are personal to grantee***

An option and an offer to grant an option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

***(j) Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

**(k) Performance target**

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

**(l) Rights on ceasing employment or death**

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

**(m) Rights on dismissal**

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

**(n) Rights on takeover**

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

**(o) Rights on winding-up**

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our

Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

***(p) Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

***(q) Ranking of Shares***

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercising the option.

***(r) Effect of alterations to capital***

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in

compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrations and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option was entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

*(s) Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

***(t) Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

***(u) Cancellation of options***

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

***(v) Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

***(w) Administration of the Board***

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

***(x) Condition of the Share Option Scheme***

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

**(y) *Disclosure in annual and interim reports***

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

**(z) *Present status of the Share Option Scheme***

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 200,000,000 Shares in total.

## **2. Tax and other indemnities**

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (being the contract referred to in paragraph (a) of the section headed “B. Information about the business — 1. Summary of material contracts” above in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional and all losses, liabilities or damages suffered by it in connection with the non-compliance of any legal and/or regulatory requirements of any jurisdiction on or before the date when the Share Offer becomes unconditional (but excluding the additional profits tax charge of approximately HK\$10.1 million and the penalty of approximately HK\$10.6 million provided in the Final Settlement Proposal). For details, please refer to the section headed “Business — Legal non-compliance” in this prospectus.

**3. Litigation**

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

**4. Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus including Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The aggregate Sponsor's fees are HK\$4.5 million and are payable by our Company.

**5. Preliminary expenses**

The preliminary expenses incurred and paid by our Company were approximately HK\$116,961.

**6. Promoter**

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

**7. Taxation of holders of Shares****(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

**(b) Cayman Islands**

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.



*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

**8. Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Ample Capital Limited	Licensed corporation to carry on types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisors to our Company as to the PRC law
Ipsos Limited	Industry consultant
Roma Appraisals Limited	Independent valuer
Mr. Clay Huen	Hong Kong barrister-at-law

**9. Consents of experts**

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name, all of which are dated the date of this prospectus, included herein in the form and context in which it is respectively included.

**10. Interests of experts in our Company**

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**11. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**12. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date in this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in the prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (g) our Directors have been advised that under Cayman Islands law, the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law.
- (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

### **13. Bilingual prospectus**

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy in this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the accountants’ report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the Group for the years ended 31 March 2015, 2016, 2017 and 2018;
- (e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisors, summarising certain aspects of the company law of the Cayman Islands referred to in the section headed “Summary of the constitution of the Company and Cayman Islands company law” in Appendix III to this prospectus;
- (f) the legal opinion issued by Commerce & Finance Law Offices, our legal advisors as to the PRC law;
- (g) the Cayman Companies Law;
- (h) the material contracts referred to in the section headed “Statutory and general information — B. Information about the business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (i) service contracts and letters of appointment with each of the Directors referred to in the section headed “Statutory and general information — C. Further information about Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;

- (j) the written consents referred to in the section headed “Statutory and general information — D. Other information — 9. Consents of experts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme;
- (l) the Hong Kong legal opinions issued by the Legal Counsel in respect of certain statements referred to in this prospectus;
- (m) the opinion on market rent issued by Roma Appraisals Limited in respect of retail shops and a warehouse leased by our Group in Hong Kong; and
- (n) the Ipsos Report.

MOS HOUSE GROUP LIMITED