



歐化國際有限公司 Uferts International Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 1711



SHARE OFFER

Joint Sponsors



英皇融資有限公司
Emperor Capital Limited



金融有限公司
OCTAL Capital Limited

Sole Bookrunner and Lead Manager



英皇證券
Emperor Securities

Co-Lead Managers



IMPORTANT

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



歐化國際有限公司 Ulferts International Limited

(Incorporated in Hong Kong with limited liability)

SHARE OFFER

Number of Offer Shares	: 200,000,000 Shares
Number of Public Offer Shares	: 20,000,000 Shares (including 2,000,000 Employee Reserved Shares) (subject to re-allocation)
Number of Placing Shares	: 180,000,000 Shares (subject to re-allocation)
Offer Price	: Not more than HK\$0.62 per Offer Share and expected to be not less than HK\$0.38 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee (payable in full on application and subject to refund)
Stock code	: 1711

Joint Sponsors



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BEA 東亞銀行



中国太平
CHINA TAIPING

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 of 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 paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 38D of the CWUMPO. 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 Emperor Securities (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Offer Price will not be more than HK\$0.62 per Offer Share and will not be less than HK\$0.38 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.62 for each Public Offer Share together with 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK\$0.62 per Offer Share.

If, for any reason, the final Offer Price is not agreed upon between Emperor Securities (for itself and on behalf of the Underwriters) and our Company by Tuesday, 23 January 2018, the Share Offer will not proceed and will lapse immediately.

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

Pursuant to the provisions of the Underwriting Agreement, Emperor Securities (for itself and on behalf of the Underwriters) has the right, in certain circumstances, to terminate the obligations of the Underwriters by notice in writing to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, but without limitation to, acts of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lockout involving Hong Kong, the PRC or any other jurisdiction. It is important that you refer to the section headed "Underwriting" in this prospectus for further details.

An announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ulferts.com.hk if there is any change to the expected timetable.

16 January 2018

EXPECTED TIMETABLE

2018 (Note 1)

Latest time for lodging **PINK** application forms 4:00 p.m. on
Thursday, 18 January

Latest time to complete electronic applications under
HK eIPO White Form service through the
designated website www.hkeipo.hk (Note 3) 11:30 a.m. on
Friday, 19 January

Application lists of the Public Offer open (Note 2) 11:45 a.m. on
Friday, 19 January

Latest time to:

complete payment of **HK eIPO White Form**
application by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on
Friday, 19 January

lodge **WHITE** and **YELLOW** application forms 12:00 noon on
Friday, 19 January

give **electronic application instructions**
to HKSCC (Note 4) 12:00 noon on
Friday, 19 January

Application lists of the Public Offer close (Note 2) 12:00 noon on
Friday, 19 January

Expected Price Determination Date (Note 5) Monday, 22 January

Announcement of the final Offer Price, the level of
the indication of interests in the Placing, the level of
application of the Public Offer and the Employee
Preferential Offering, and the basis of allotment of
Public Offer Shares and the Employee Preferential Offering,
to be published on the website of the Stock Exchange at
www.hkexnews.hk and our Company's website at
www.ulferts.com.hk Friday, 26 January

Announcement of results of allocations in the Public Offer and
the Employee Preferential Offering (with successful
applicants' identification document numbers, where applicable)
to be available through a variety of channels as described
under the paragraph headed "Publication of results" in
the section headed "How to apply for Public Offer Shares
and Employee Reserved Shares" in this prospectus Friday, 26 January

Results of allocations in the Public Offer will be available
at www.tricor.com.hk/ipo/result with a "search by
ID Number/ Business Registration Number"
function from Friday, 26 January

EXPECTED TIMETABLE

Despatch/collection of share certificates in respect of wholly or partially successful applicants pursuant to the Public Offer and the Employee Preferential Offering on or before (*Note 7*) Friday, 26 January

Despatch/collection of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications (*Note 7*) Friday, 26 January

Dealings in the Shares on the Main Board of the Stock Exchange expected to commence on Monday, 29 January

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 19 January 2018, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.
- (3) Applicants will not be permitted to submit application to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted their application and obtained an application reference number from the designated website prior to 11:30 a.m., they 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.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for Public Offer Shares and Employee Reserved Shares – Applying by giving **electronic application instructions** to HKSCC” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, 22 January 2018. If, for any reason, our Company and Emperor Securities (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Tuesday, 23 January 2018, the Share Offer will not proceed and will lapse.
- (6) None of the website or any information contained on the website forms part of this prospectus.
- (7) **Share certificates for the Offer Shares are expected to be issued on Friday, 26 January 2018 but will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the 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.**

Applicants who have applied on **WHITE** application forms or through **HK eIPO White Form** service for 1,000,000 Public Offer Shares or more may collect their Share certificates and/or refund cheques (if any) in person. In order to do so, applicants must tick the appropriate box on their **WHITE** application forms and provide the particulars specified in that form. These applicants may collect their Share certificates and refund cheques (if any) from the Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, between 9:00 a.m. and 1:00 p.m. on Friday, 26 January 2018. Applicants being individuals who opt for personal collection must not authorise any other persons to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend

EXPECTED TIMETABLE

by their authorised representatives bearing letters of authorisation from their corporations duly stamped with the corporations' chops. Both individuals and authorised representatives of corporations (where applicable) must produce, at the time of collection, evidence of identity acceptable to the Share Registrar.

Applicants who have applied on **YELLOW** application forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if any) in person but may not elect to collect their Share certificates, which will be deposited into CCASS for credit to their designated CCASS participants' stock accounts or investor participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** application form applicants are the same as those for **WHITE** application form applicants as set out above.

Refund cheques or refund e-Auto payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus.

Uncollected Share certificates (if any) and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly after the expiry of the time for their collection. Please refer to the paragraph headed "Despatch/collection of Share Certificates and Refund Cheques" under the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus for further details.

You should read carefully the sections headed "Underwriting", "How to Apply for Public Offer Shares and Employee Reserved Shares" and "Structure and Conditions of the Share Offer" in this prospectus for additional information regarding the Public Offer, including the conditions to the Public Offer, how to apply for the Public Offer Shares and the Employee Reserved Shares, the expected timetable, the effects of bad weather and the despatch of share certificates and the refund of application monies.

CONTENTS

This prospectus is issued by us solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

The 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 the Company, the Joint Sponsors, the Lead Manager, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives or any other parties involved in the Share Offer. The contents on the website at www.ulferts.com.hk do not form part of this prospectus.

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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. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the Appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer 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 the Offer Shares.

BUSINESS OVERVIEW

Our Group is principally engaged in retailing of furniture in Hong Kong under the trade name “Ulferts”. We have a history of more than 40 years and are one of the domestically well-known retailers of contemporary style furniture targeting the middle to high income customers group. We have registered the trademark “Ulferts” with the Trade Mark Registry in Hong Kong since 1990. In September 2014, we acquired “Eurodecor”, which has a shop focused on retail of Italian custom-made quality furniture.

We also have our self-owned brand of “Ulfenbo” products, including mattresses, sofas, sofasbeds, adjustable beds and other ancillary bedroom items. For more than 25 years the “Ulfenbo” mattresses and then sofas have been mainly sold through a wide network of dealers in Hong Kong under our wholesale arm. Since May 2014, we also retail them in our “Dormire” stores, in department store counters and roadshows we held from time to time. Besides, we have the Special Projects division which takes on furniture related projects primarily for corporate customers.

Retail of Furniture under “Ulferts” and “Eurodecor” stores

As at the Latest Practicable Date, we have in operation six retail stores under our trade name “Ulferts” and one retail shop under the “Eurodecor” brand for retail of furniture. In the first quarter of 2017, we launched online shopping in our “Ulferts” website.

Retail sales is the most important income stream of our Group. For each of the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 (a) the revenue attributable to our retail business amounted to approximately HK\$159,703,000, HK\$190,475,000, HK\$207,859,000 and HK\$85,231,000 respectively and accounted for approximately 88.1%, 90.7%, 92.6% and 91.8% of our Group’s total revenue respectively; and (b) the gross profit attributable to our retail business amounted to approximately HK\$100,385,000, HK\$126,718,000, HK\$136,370,000 and HK\$55,454,000 respectively with a gross profit margin of approximately 62.9%, 66.5%, 65.6% and 65.1% respectively.

SUMMARY

We source our furniture products from different furniture suppliers in Europe and Asia (including the PRC) based on various factors including design of the furniture, market trends, cost and demands anticipated by our management and procurement team as well as specific customer orders. Our procurement team attends various international trade exhibitions and fairs regularly to source new products, meet up with our existing suppliers as well as look for potential new suppliers. During the Track Record Period, we carried over 50 furniture brands in our Ulferts and Eurodecor stores, some of which are international brands such as Domicil, Himolla, Gamma, Kristalia and Nicolettihome.

“Ulfenbo” Products and “Dormire” stores

Our Group launched mattresses under the brand “Ulfenbo” more than 25 years ago. These mattresses are classified into different series and as at the Latest Practicable Date, we offer up to thirteen models in various sizes with varying hardness to meet the different demands in the market. In addition to the “Ulfenbo” mattresses, we launched “Ulfenbo” sofas in 2008 and then we introduced sofabed and adjustable bed in 2009 and 2014 respectively. We also offer ancillary items such as pillows, mattress protectors and mattress toppers under this brand since 2015 and 2016 respectively. We outsource the production of “Ulfenbo” products to Independent Third Party manufacturers, which during the Track Record Period, included over 10 manufacturers in Asia (including the PRC).

We have 7 specialty stores under the name of “Dormire” for retail of “Ulfenbo” products. Some models of “Ulfenbo” mattresses and sofas are sold through a wide network of dealers in Hong Kong under our wholesale arm. During the Track Record Period, we also have counters at department stores and held roadshow sales for “Ulfenbo” products from time to time at various department stores and shopping malls. In the last quarter of 2016, we commenced online sales through our own “Ulfenbo” website and through HKTV mall.

Special Projects

In addition to and as complementary business to our retailing and wholesale business, we expanded into Special Projects in 2003 by providing services from planning, design, procuring custom-made furniture to final installation mainly for corporate customers, as well as consultation and liaison services with furniture manufacturers. During the Track Record Period, business under Special Projects included those for show flats and hotels, coffee-shop chain, educational institutions and furniture procurement consultancy service in relation to projects in the PRC.

Revenue, Gross Profit Margin and Costs of Sales

The following table sets out a breakdown of our Group’s revenue and gross profit margin derived from each of the “Ulferts”, “Dormire”/“Ulfenbo” and “Eurodecor” brand under the retail, wholesale and Special Projects business over the Track Record Period:

SUMMARY

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2017			2017		
	Revenue <i>HK\$'000</i>	% of total	Gross profit margin %	Revenue <i>HK\$'000</i>	% of total	Gross profit margin %	Revenue <i>HK\$'000</i>	% of total	Gross profit margin %	Revenue <i>HK\$'000</i>	% of total	Gross profit margin %
Retail												
– Ulferts	151,199	83.4	62.8	168,255	80.1	66.9	182,121	81.2	65.8	73,608	79.3	65.1
– Dormire/Ulfenbo	5,177	2.9	62.6	14,068	6.7	63.7	17,628	7.8	62.9	9,471	10.2	64.5
– Eurodecor	3,327	1.8	66.9	8,152	3.9	64.7	8,110	3.6	66.6	2,152	2.3	65.9
Subtotal	<u>159,703</u>	<u>88.1</u>	<u>62.9</u>	<u>190,475</u>	<u>90.7</u>	<u>66.5</u>	<u>207,859</u>	<u>92.6</u>	<u>65.6</u>	<u>85,231</u>	<u>91.8</u>	<u>65.1</u>
Wholesale (Ulfenbo)	14,586	8.0	49.2	13,750	6.5	51.3	13,138	5.9	51.2	5,115	5.5	53.9
Special Projects	<u>7,058</u>	<u>3.9</u>	<u>33.7</u>	<u>5,845</u>	<u>2.8</u>	<u>31.0</u>	<u>3,334</u>	<u>1.5</u>	<u>66.1</u>	<u>2,504</u>	<u>2.7</u>	<u>44.3</u>
Total	<u>181,347</u>	<u>100.0</u>	<u>60.6</u>	<u>210,070</u>	<u>100.0</u>	<u>64.5</u>	<u>224,331</u>	<u>100.0</u>	<u>64.8</u>	<u>92,850</u>	<u>100.0</u>	<u>63.9</u>

The following table sets out the breakdown of cost of sales by components for the Track Record Period:

	Year ended 31 March						Five months ended 31 August		
	2015		2016		2017		2017		
	<i>HK\$'000</i>	% of total	<i>HK\$'000</i>	% of total	<i>HK\$'000</i>	% of total	<i>HK\$'000</i>	% of total	
Cost of inventories sold	71,464	100.1	74,049	99.4	78,904	99.8	33,482	99.9	
Reversal of write-down of inventories to net realisable value	(175)	(0.3)	(63)	(0.1)	(169)	(0.2)	–	–	
Write-down of inventories to net realisable value	<u>126</u>	<u>0.2</u>	<u>505</u>	<u>0.7</u>	<u>292</u>	<u>0.4</u>	<u>47</u>	<u>0.1</u>	
Total	<u>71,415</u>	<u>100.0</u>	<u>74,491</u>	<u>100.0</u>	<u>79,027</u>	<u>100.0</u>	<u>33,529</u>	<u>100.0</u>	

The following table sets out the revenue, sales volume and average selling price of each of our major products during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015			2016			2017			2017		
	Revenue <i>HK\$'000</i>	Sales Volume <i>unit</i>	Average selling price <i>(Note 1)</i> <i>HK\$</i>	Revenue <i>HK\$'000</i>	Sales Volume <i>unit</i>	Average selling price <i>(Note 1)</i> <i>HK\$</i>	Revenue <i>HK\$'000</i>	Sales Volume <i>unit</i>	Average selling price <i>(Note 1)</i> <i>HK\$</i>	Revenue <i>HK\$'000</i>	Sales Volume <i>unit</i>	Average selling price <i>(Note 1)</i> <i>HK\$</i>
Sofa	101,356	6,198	16,353	116,047	6,739	17,220	132,269	7,475	17,695	53,491	3,079	17,373
Dining table	19,402	1,243	15,609	21,589	1,047	20,620	21,542	1,065	20,227	7,675	349	21,991
Mattress	16,454	16,470	999	19,000	17,445	1,089	20,524	16,986	1,208	10,657	7,216	1,477
Dining chair & bar stool	16,609	5,363	3,097	17,347	4,653	3,728	15,886	4,109	3,866	7,305	2,195	3,328
Coffee table & corner table	9,735	1,039	9,370	13,532	952	14,214	12,963	1,071	12,104	5,048	385	13,112

Note 1: Based on the total revenue attributed to the sales of each product and the total number of units sold.

SUMMARY

Rental Expenses

Rental expense is one of the major costs in our business operations. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, total rent, licence fees, rates and building management fees of our retail stores, department store counters, roadshow venues and warehouse amounted to approximately HK\$29.1 million, HK\$40.5 million, HK\$46.4 million and HK\$23.8 million, representing approximately 44.8%, 44.9%, 48.4% and 50.0% of the selling and distribution expenses of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

Retail Stores

The following table sets out the movements in the number of our Group's retail stores and specialty stores during the Track Record Period and up to the Latest Practicable Date:

	As at 1 April 2014			For the year ended 31 March 2016						From 1 April 2017 to Latest Practicable Date			
	Total	Opened/ acquired	Closed	Total	Opened	Closed	Total	Opened	Closed	Total	Opened	Closed	Total
"Ulferts" retail store	4	1	1	4	3	-	7	-	1	6	1	1	6
"Dormire" retail store	-	1	-	1	2	1	2	2	-	5	3	-	7
"Eurodecor" retail store	-	1	-	1	-	-	1	-	-	1	-	-	1

SUPPLIERS AND CUSTOMERS

Suppliers

We purchase our products from suppliers in Europe and Asia (including the PRC). For each of the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five suppliers accounted for approximately 38.6%, 40.9%, 38.9% and 37.4% and the largest supplier accounted for approximately 12.7%, 14.7%, 12.4% and 11.6% of our total purchases respectively. We are not bound by any long term or exclusivity agreement with any of our suppliers.

Customers

The customers of our Group are mostly individuals of the public in Hong Kong under our retail sales. Dealers of our Ulfenbo products are mainly furniture shops and interior design companies whilst our customers engaging us for Special Projects are corporations. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five customers under our wholesale and Special Projects businesses consist of dealers of Ulfenbo mattresses and sofas and corporate customers engaging us for Special Project services, and they accounted for approximately 6.5%, 5.1%, 3.6% and 4.5% of our total sales respectively. The largest customer under our wholesale and Special Projects businesses accounted for approximately 3.1%, 2.4%, 1.7% and 2.4% of our total sales for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, approximately 3.4%, 3.1%, 1.2% and 2.6%

SUMMARY

of our total sales respectively were sales to connected persons. For details please refer to the sections headed “Business – Suppliers and Customers – Customers” and “Connected Transactions” of this prospectus.

COMPETITION AND COMPETITIVE STRENGTHS

Competition

The furniture retailing industry in Hong Kong is fragmented and unstructured. The entry barrier to the industry is relatively low as there is no specific legislation regulating the operation of furniture retail stores in Hong Kong and substantial capital investment is not required. The industry is therefore highly competitive with numerous market participants with business operated in various scales including large scale chain stores and some retail stores offering products other than furniture. Such competitions may adversely affect the sales performance and profitability of our Group when we are unable to differentiate ourselves whether in terms of product quality, design, brands or in other ways such as comprehensive after-sales services.

The following table sets forth the market share of the top 3 players and the Group in home furnishing (category includes mattresses, sofa sets and dining furniture etc.) sold between 2014 and 2016:

Home Furnishing	Retail Sales Value (%)		
	2014	2015	2016
Company A (<i>Note 1</i>)	10.8%	10.7%	10.7%
Company B (<i>Note 1</i>)	9.9%	9.9%	10.0%
Company C (<i>Note 1</i>)	5.3%	5.3%	5.5%
The Group (<i>Note 2</i>)	1.4%	1.6%	1.7%

Note 1: Figures extracted from the Euromonitor Report.

Note 2: The calculation for years 2014, 2015 and 2016 is based on the Group’s revenue derived from the sales of indoor home furnishing (including mattresses, sofa sets and dining furniture etc. and sales through wholesale dealers) in Hong Kong for the three years ended 31 March 2015, 2016 and 2017 respectively.

For details of the Group’s market share in Hong Kong, please refer to the section headed “Industry and Regulatory Overview – The Group’s Market Share in Hong Kong”.

Competitive Strengths – Highlights

Our Directors believe our competitive strengths include: (i) our Group has been a retailer of contemporary style imported furniture in Hong Kong for over 40 years and has strong brand recognition in Hong Kong; (ii) we have a strong management team that possesses extensive management skills, operating experience and solid industry knowledge and expertise; (iii) our “Ulferts” retail stores are all conveniently located in mature markets of our target customer base of the mid to high income group; (iv) we are able to provide patrons of our retail stores with a pleasurable shopping experience with the expansive space of our “Ulferts” stores enabling us to display a wide spectrum of products, tailor-designed ambience, setting and placement of the furniture in our “Ulferts” stores and trained salespersons in the stores; and (v) our sizeable warehouse in Hong Kong allows us to stock up on the products on offer and customer will be able to receive delivery of the products within a short time of their purchase.

SUMMARY

Business Strategies

We intend to adopt the following business strategies: (i) expand mid-range customer segment by launching of the new concept under “@Home” brand or new brand retail stores offering smaller and more compact furniture than those offered in our “Ulferts” stores and “Eurodecor” store; (ii) enhance “Ulfenbo” sales channels and brand awareness by opening three to five additional “Dormire” specialty stores and undertaking brand building campaigns for “Ulfenbo” products and “Dormire” stores; (iii) upgrade our Group’s information technology system, including the existing ERP and CRM systems and enhance our accounting system to interface with our ERP system; (iv) continuously explore market potentials and may open one more “Ulferts” store to further strengthen the presence of the retail chain or acquire businesses with synergy effect; (v) reinforce our brand recognition by conducting marketing and promotional activities to enhance our brand image and promote our products; and (vi) recruit and retain talented employees across all aspects of our business and to continue to provide training to our employees.

RISK FACTORS

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

A few of the more significant risks related to our business include: (i) our business may be affected by increase in rental expenses or the termination of leases of our retail stores; (ii) our business may be adversely affected if we are unable to sustain our goodwill or promote and further strengthen our name; (iii) our performance depends significantly on the economic and market conditions in Hong Kong and may be adversely affected in the event of any unfavourable change in the Hong Kong economy, adverse change of condition of the property market, reduced consumer confidence or factors affecting consumer spending; and (iv) our business may be adversely affected by the closure of the Hunghom “Ulferts” retail store.

DIVIDENDS AND REASONS FOR THE LISTING

Our Group declared dividends of approximately HK\$33.0 million and HK\$4.9 million for the years ended 31 March 2015 and 2016 respectively, all of which were funded by our operating cash flows and have been settled on 31 December 2014 and 28 February 2015 and 30 June 2015 respectively. Our Group has declared and paid dividends of HK\$72.0 million to our shareholder, Ulferts Holdings, subsequent to the Track Record Period, which payment was funded by utilisation of existing banking facilities to the extent of approximately HK\$35.0 million and the cash balance of approximately HK\$37.0 million from our internal resources. Following payment of the said dividend of approximately HK\$72.0 million, our Group do not have sufficient internal resources to implement the expansion plan as set out in the section headed “Business – Our Business Strategies” of this prospectus. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for detailed reasons for the Listing.

Our Company currently does not have a fixed dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. The Directors may or may not recommend/declare a payment of dividend in future after taking into account various relevant factors including but not limited to the financial condition, capital requirement and earning of our Group, and subject to the Articles.

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SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

We set forth below the extracts from the consolidated financial information of our Group during the Track Record Period. The financial information of our Group contained herein and in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with HKFRSs. This summary should be read in conjunction with the Accountants' Report of our Group as set out in Appendix I to this prospectus and the discussion under the section headed "Financial Information" in this prospectus.

Summary of Consolidated Statements of Profits or Loss and Other Comprehensive Income

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(Unaudited)	
Revenue	181,347	210,070	224,331	78,974	92,850
Cost of sales	<u>(71,415)</u>	<u>(74,491)</u>	<u>(79,027)</u>	<u>(27,659)</u>	<u>(33,529)</u>
Gross profit	109,932	135,579	145,304	51,315	59,321
Other income and gains	829	835	4,626	725	383
Selling and distribution expenses	(64,875)	(90,164)	(95,955)	(38,718)	(47,612)
General and administrative expenses	(17,675)	(19,244)	(18,402)	(6,960)	(17,269)
Finance cost	<u>(63)</u>	<u>(2)</u>	<u>(1)</u>	<u>–</u>	<u>(18)</u>
Profit/(loss) before tax	28,148	27,004	35,572	6,362	(5,195)
Income tax expense	<u>(4,860)</u>	<u>(4,651)</u>	<u>(5,427)</u>	<u>(1,088)</u>	<u>(646)</u>
Profit/(loss) for the year/period and total comprehensive income/(loss) for the year/period	<u>23,288</u>	<u>22,353</u>	<u>30,145</u>	<u>5,274</u>	<u>(5,841)</u>

Financial Performance of the Group during the five months ended 31 August 2017

Our revenue increased by approximately HK\$13.9 million, or approximately 17.6%, from approximately HK\$79.0 million for the five months ended 31 August 2016 to approximately HK\$92.9 million for the five months ended 31 August 2017, whereas our cost of sales increased by approximately 20.9% from approximately HK\$27.7 million for the five months ended 31 August 2016 to approximately HK\$33.5 million for the five months ended 31 August 2017. As a result, our gross profit increased by approximately 15.6% from approximately HK\$51.3 million for the five months ended 31 August 2016 to approximately HK\$59.3 million for the five months ended 31 August 2017.

Despite the increase in gross profit, the Company recorded net loss of approximately HK\$5.8 million during the five months ended 31 August 2017, which was primarily due to (i) the incurrence of listing expenses of approximately HK\$9.0 million, (ii) the increase in rent, rates and building management fees of approximately HK\$4.9 million, (iii) the increase in advertising and promotion expenses of approximately HK\$2.0 million, (iv) the increase in salaries and other employee benefits of approximately HK\$2.1 million, and (v) writing off of leasehold improvement due to closure of the Hunghom store of approximately HK\$536,000 as compared to the five months ended 31 August 2016. For details of the financial performance of the Group during the five months ended 31 August 2017, please refer to the

SUMMARY

paragraph headed “Discussion and analysis of results of operations” in the section headed “Financial Information” in this prospectus. If the amount of the listing expenses incurred were eliminated, the adjusted net profit of the Company would be approximately HK\$3.2 million. The Directors would however emphasise that this figure is a non-HKFRS measure. The amount of sales orders not yet recognised as revenue as at 31 August 2017 amounted to approximately HK\$43.4 million, an increase of approximately HK\$7.3 million as compared to that of approximately HK\$36.7 million as at 31 August 2016.

Summary of Consolidated Statements of Financial Position

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	22,777	28,310	20,623	27,251
Current assets	45,529	54,328	90,755	119,857
Total assets	68,306	82,638	111,378	147,108
Non-current liabilities	5,510	4,106	1,530	2,660
Current liabilities	35,543	33,778	34,949	75,390
Total liabilities	41,053	37,884	36,479	78,050
Net current assets	<u>9,986</u>	<u>20,550</u>	<u>55,806</u>	<u>44,467</u>
Total equity	<u>27,253</u>	<u>44,754</u>	<u>74,899</u>	<u>69,058</u>

Summary of Consolidated Statement of Cash Flows

	Year ended 31 March			Five months ended	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	36,306	21,604	28,901	13,713	7,545
Net cash flows used in investing activities	(8,023)	(12,835)	(2,517)	(1,492)	(6,610)
Net cash flows from/(used in) financing activities	(36,758)	(2)	(1)	957	12,508
Net increase/(decrease) in cash and cash equivalents	(8,475)	8,767	26,383	13,178	13,443
Cash and cash equivalents at beginning of year/period	13,143	4,668	13,435	13,435	39,818
Cash and cash equivalents at end of year/period	4,668	13,435	39,818	26,613	53,261

Our Group has transactional currency exposures. Such exposures primarily arise from costs incurred by us for purchase of products from overseas. Most of our purchases are denominated and settled in foreign currencies mainly Euro, RMB and US\$ but our sales are in Hong Kong dollars. Both Euro and RMB has been volatile during Track Record Period. Our Group does not expect any significant movements in the US\$/HK\$ exchange rate as the Hong Kong dollar is pegged to the US\$ within a narrow band.

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Since February 2015, we no longer hedged against the foreign exchange risk as we considered that such risk could be covered by our flexible pricing policy. As we price our products on a cost-plus basis, we take into account the foreign exchange rate fluctuation as part of the costs of purchase. Management will continue to monitor the movement of foreign currency rates and in the event that foreign exchange fluctuation cannot be adequately covered by the pricing of our products, the Board will review the practice and decide whether hedging would be appropriate to mitigate the foreign exchange risk. For further details, please refer to the subsection headed “Forward Contracts and Hedging Policy” in the “Business” section in this prospectus.

LISTING EXPENSES

Listing expenses mainly comprise of legal and other professional fees in connection with the Listing. Listing expenses are estimated to be approximately HK\$18.7 million (assuming an Offer Price of HK\$0.50 per Share, being the mid-point of our indicative Offer Price range of HK\$0.38 to HK\$0.62), among which approximately HK\$6.9 million relating to the Share Offer is expected to be recognised as a deduction from equity upon the issuance of the Offer Shares, approximately HK\$9.0 million was charged to profit or loss of the Group for the five months ended 31 August 2017, and approximately HK\$2.8 million is expected to be reflected in our profit or loss subsequent to the Track Record Period. Our Group’s financial performance and results of operations for the five months ended 31 August 2017 have been, and that for the year ending 31 March 2018 will be, significantly and adversely affected by the Listing expenses. Our Directors would like to emphasise that the aforesaid Listing expenses are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the changes in variables and assumptions.

LATEST DEVELOPMENT SUBSEQUENT TO TRACK RECORD PERIOD

In early July 2017, we closed the Hunghom “Ulferts” store which has been in operation for over 40 years. On the other hand, our “Ulferts” flagship store in Kowloon Bay has commenced business on 7 July 2017 and our Whampoa “Ulferts” store expanded by approximately 50% in floor area with effect from the end of October 2017. For the five months ended 30 November 2017, Kowloon Bay “Ulferts” store and Whampoa “Ulferts” store in aggregate received sales orders of approximately HK\$28.5 million, representing an increase of approximately 11.3% from approximately HK\$25.6 million sales orders received in the Hunghom “Ulferts” store and Whampoa “Ulferts” store for the five months ended 30 November 2016. Except for (a) the summer sales which were launched during June to August and annual sales which were launched in the second half of October of each year of the Track Record Period; (b) a premium gift offered to customers of Kowloon Bay “Ulferts” store who purchased over specific amount; and (c) joint promotion with Asia Miles during late August/early September to mid-October of both 2016 and 2017, there were no other special promotions launched by the Group during the five months ended 30 November 2017. The Directors believe that the new Kowloon Bay “Ulferts” store and the Whampoa “Ulferts” store have picked up the business of the Hunghom “Ulferts” store after its closure.

Save as disclosed above, our Directors confirm that there has been no other material change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

Save for the Listing expenses as mentioned above, the Directors do not expect the Group’s financial performance and results of operation for the year ending 31 March 2018 will be significantly and adversely affected by other factors.

SUMMARY

MAJOR SHAREHOLDERS

Immediately following completion of the Share Offer, Ulferts Holdings will hold 600,000,000 Shares, representing 75% of all the issued shares of our Company. Ulferts Holdings is 100% held by AY Holdings which in turn is 100% held by STC International as trustee for AY Discretionary Trust of which Dr. Albert Yeung is the settlor. Accordingly, Dr. Albert Yeung is a deemed Controlling Shareholder of the Company. Please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus for details.

USE OF PROCEEDS

The net proceeds from the Share Offer (after deducting underwriting fees and other estimated related costs payable by us for the purposes of the Share Offer and assuming an Offer Price of HK\$0.5 per Share, being mid-point of the indicative Offer Price range) are estimated to be approximately HK\$81.3 million. Our Group currently intends to apply the net proceeds as follows:–

Amount <i>(HK\$ millions)</i>	% of total estimated net proceeds	Intended use
30.0	36.9%	for paying the capital expenditure, rental deposits and overhead expenses for opening at least three new retail stores in Hong Kong for mid-range customer segment;
21.3	26.2%	to strengthen the product portfolio and brand mix by introducing new models and new brands;
9.0	11.1%	to enhance our Ulfenbo sales channels and brand awareness;
8.0	9.8%	for paying the capital expenditure and rental deposits for opening one “Ulferts” retail store or any merger and acquisition opportunities to be identified;
5.0	6.2%	to upgrade our information technology system;
8.0	9.8%	as the general working capital of our Group.

In the event that the Offer Price is determined at a price other than HK\$0.5, the Directors will apply the net proceeds in the proportion as shown above.

A detailed discussion of our reasons for the Listing and use of proceeds is set forth in the section headed “Future Plans and Use of Proceeds” in this prospectus.

SHARE OFFER STATISTICS

	Based on the Offer Price of	
	HK\$0.38 per Share	HK\$0.62 per Share
Market capitalisation (<i>note 1</i>)	HK\$304,000,000	HK\$496,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share (<i>note 2 and 3</i>)	HK\$0.17	HK\$0.23

SUMMARY

Notes:

1. The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue immediately upon completion of the Share Offer but takes no account of any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustment referred to in note 2 in the sub-section headed “Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in the section of “Financial Information” and on the basis of a total of 800,000,000 Shares in issue, assuming the Share Offer has been completed on 31 August 2017 without taking into account of any Shares which may be allotted and issued upon the exercise of any share option that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account a dividend of HK\$72.0 million paid by the Company before Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$110,628,000 and HK\$0.14, respectively (assuming an Offer Price of HK\$0.62 per Share) and HK\$64,068,000 and HK\$0.08, respectively (assuming an Offer Price of HK\$0.38 per Share).

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), PINK application form(s) and GREEN application form(s) or where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 8 January 2018 and which will become effective on the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AY Discretionary Trust”	The Albert Yeung Discretionary Trust (of which Dr. Albert Yeung is the founder and settlor)
“AY Holdings”	Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited), an investment holding company incorporated in BVI on 7 December 2007 and wholly-owned by STC International acting as trustee of AY Discretionary Trust
“AY Management”	Albert Yeung Management Company Limited (formerly known as Bright Queen Limited), a company incorporated in BVI on 18 March 1998 and wholly-owned by AY Holdings
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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“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 a investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Code of Conduct”	the code of conduct for person licensed by or registered with the SFC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Ulferts International Limited, a company incorporated in Hong Kong on 27 June 2012 with limited liability
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the context of this prospectus, includes Ulferts Holdings, AY Holdings, STC International, Dr. Albert Yeung and Ms. Luk or any one of them
“Covenantors”	Ulferts Holdings, AY Holdings and Dr. Albert Yeung, being the covenantors under the Deed of Non-Competition and the Underwriting Agreement
“CRM system”	customer relationship management system
“CWUMPO”	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
“Deed of Indemnity”	the deed of indemnity dated 15 January 2018 provided by the Indemnifiers in favour of our Group relating to, among other matters, the tax liabilities of our Group

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“Deed of Non-Competition”	a deed of non-competition undertaking dated 15 January 2018 provided by the Covenantors in favour of our Company (for itself and for the benefit of the members of our Group) relating to certain non-competition undertakings by the Covenantors
“Director(s)”	the director(s) of our Company
“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“EIML”	Emperor Investment (Management) Limited, a company incorporated in Hong Kong on 25 October 1990 and indirectly wholly-owned by Emperor International
“Eligible Employee(s)”	all full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date who have a Hong Kong address (other than the chief executive or directors of our Company or its subsidiaries, existing beneficial owners of Shares or any of their respective close associates and any other connected persons of our Company)
“Emperor Assets”	Emperor Assets Holdings Limited (formerly known as Gain Wealth Investments Limited), an investment holding company incorporated in BVI on 12 June 1998 and wholly-owned by AY Holdings
“Emperor Capital”	Emperor Capital Limited, a company incorporated in Hong Kong on 28 September 1993, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and one of the Joint Sponsors for the Listing and an indirect wholly-owned subsidiary of Emperor Capital Group
“Emperor Capital Group”	Emperor Capital Group Limited, a company indirectly owned as to approximately 41.3% by AY Discretionary Trust, an exempted company incorporated in Bermuda with limited liability on 27 June 2006, the subsidiaries of which are principally engaged in the provision of financial services in Hong Kong, including (i) commercial and personal lending as well as margin and initial public offering financing; (ii) brokerage, wealth management and asset management; (iii) placing and underwriting services for listed issuers; and (iv) corporate finance advisory services and whose shares are listed on the Main Board (Stock Code: 717)

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“Emperor Culture”	Emperor Culture Group Limited (formerly known as See Corporation Limited), a company indirectly owned as to approximately 33.1% by AY Discretionary Trust, an exempted company incorporated in Bermuda with limited liability on 27 March 1992, the subsidiaries of which are principally engaging in cinema development and operation as well as film investment and production and whose shares are listed on the Main Board (Stock Code: 491)
“Emperor E Hotel”	Emperor Entertainment Hotel Limited, a company indirectly owned as to approximately 65.4% by Emperor International, an exempted company incorporated in Bermuda with limited liability on 1 May 1992, the subsidiaries of which are principally engaging in property investment and development as well as hotel and hospitality business and whose issued shares are listed on the Main Board (Stock Code: 296)
“Emperor Group”	AY Holdings, its subsidiaries and associates (including but not limited to Emperor International, Emperor E Hotel, Emperor Capital Group, Emperor W&J, Emperor Culture and their respective subsidiaries and associates), other than our Group
“Emperor International”	Emperor International Holdings Limited, a company indirectly owned as to approximately 74.7% by AY Discretionary Trust, an exempted company incorporated in Bermuda with limited liability on 30 August 1991, the subsidiaries of which are principally engaging in property development and investment as well as hotel and hospitality business and whose issued shares are listed on the Main Board (Stock Code: 163)
“Emperor W&J”	Emperor Watch & Jewellery Limited, a company indirectly owned as to approximately 52.8% by AY Discretionary Trust, a company incorporated in Hong Kong with limited liability on 13 March 2008, the subsidiaries of which are principally engaging in the sales of luxurious branded watches and the design and sales of jewellery products in Hong Kong, Macau and the PRC and whose issued shares are listed on the Main Board (Stock Code: 887)

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“Emperor Securities”	Emperor Securities Limited, a company incorporated in Hong Kong on 6 July 1990, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and an indirect wholly-owned subsidiary of Emperor Capital Group
“Employee Preferential Offering”	the offer of up to 2,000,000 Public Offer Shares to the Eligible Employees as described in the paragraph headed “Employee Preferential Offering” under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Employee Reserved Shares”	up to 2,000,000 Public Offer Shares (representing 10% of the Offer Shares available under the Public Offer) available in the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
“ERP system”	enterprise resources planning system
“EU”	the European Union, an economic and political partnership between 28 European countries
“Eurodecor”	Eurodecor Furniture Limited (formerly known as Super Nation Limited), a company incorporated in Hong Kong on 5 March 1999 and an indirect wholly-owned subsidiary of our Company
“Eurodecor Holdings”	Eurodecor Furniture (Holdings) Limited (formerly known as Power Scheme Investments Limited), a company incorporated in Hong Kong on 1 November 1988 and an indirect wholly-owned subsidiary of our Company
“Euromonitor Report”	the market research report issued by Euromonitor International Limited in May 2017 named “Home Furnishings in Hong Kong, China, 2017 edition”
“First Six-Month Period”	the period from the Listing Date up to and including the date falling six months after the Listing Date
“GAAP”	generally accepted accounting principles in Hong Kong, including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations
“GDP”	gross domestic product

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“Global Gold”	Global Gold Developments Limited, a company incorporated in BVI on 18 March 1998 and wholly-owned by AY Holdings
“Glory Wish”	Glory Wish Limited, a company incorporated in Hong Kong on 17 September 1999 and an indirect wholly-owned subsidiary of our Company
“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“HIBOR”	Hong Kong Interbank Offer Rate
“ HK eIPO White Form ”	the application for the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form Service Provider at www.hkeipo.hk
“ HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
“HKSAR Government”	the Government of Hong Kong Special Administrative Region
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Indemnifiers”	Ulferts Holdings, AY Holdings and Dr. Albert Yeung, being the indemnifiers pursuant to the Deed of Indemnity
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of and not connected with any members of our Group, the directors, chief executive or substantial Shareholders (as defined in the Listing Rules) of our Company and its subsidiaries and their respective associates
“Issuing Mandate”	as defined in the paragraph headed “Written resolutions of the sole Shareholder passed on 8 January 2018” in Appendix IV to this prospectus
“Joint Sponsors”	together (i) Octal Capital Limited, a corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and (ii) Emperor Capital
“Latest Practicable Date”	8 January 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Lead Manager”	Emperor Securities, being the lead manager of the Share Offer and the sole bookrunner of the Placing
“Link Profit”	Link Profit Investment Limited, a company incorporated in Hong Kong on 8 August 2003 and an indirect wholly-owned subsidiary of our Company
“Linkpac Development”	Linkpac Development Limited, a company incorporated in Hong Kong on 13 October 1999 and an indirect wholly-owned subsidiary of our Company
“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 on which dealings in the Shares first commence on the Stock Exchange, expected to be on or about 29 January 2018
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Marvel Win”	Marvel Win Limited, a company incorporated in Hong Kong on 12 April 2010 and an indirect wholly-owned subsidiary of our Company
“Mighty Wish”	Mighty Wish Limited, a company incorporated in Hong Kong on 12 July 2011 and an indirect wholly-owned subsidiary of our Company
“Mr. Ricky Ng”	Mr. Ng Koon Keung, Ricky (吳冠強), an executive Director and the chief executive officer of our Group
“Ms. Ivy Mok”	Ms. Mok Fung Lin, Ivy (莫鳳蓮), an executive Director and chief operating officer of our Group
“Ms. Luk”	Ms. Luk Siu Man, Semon, the spouse of Dr. Albert Yeung
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed under the Share Offer
“Offer Shares”	together the Public Offer Shares and the Placing Shares
“ PINK application form(s)”	the application form(s) to be completed by Eligible Employees
“Placing”	the conditional placing of the Placing Shares at the Offer Price, to selected professional, institutional and other investors, on and subject to the terms and conditions stated in this prospectus
“Placing Shares”	180,000,000 new Shares initially offered for subscription under the Placing subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing listed in the section headed “Underwriting – Placing Underwriters” in this prospectus
“POS System”	point-of-sale software system

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“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus (unless otherwise specified), excludes Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between our Company and Emperor Securities (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Monday, 22 January 2018, on which the Offer Price is fixed for the purpose of the Share Offer
“Public Offer”	the offer of Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the sections headed “Structure and Conditions of the Share Offer” in this prospectus, and for the avoidance of doubt, includes the Employee Preferential Offering
“Public Offer Shares”	20,000,000 new Shares initially being offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus, including the Public Offer Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering
“Public Offer Underwriter”	the underwriters of the Public Offer listed in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Repurchase Mandate”	as defined in the paragraph headed “Written resolutions of the sole Shareholder on 8 January 2018” in Appendix IV to this prospectus
“Rich Ascent”	Rich Ascent Limited, a company incorporated in Hong Kong on 3 July 2015 and an indirect wholly-owned subsidiary of our Company
“Second Six-Month Period”	the six-month period immediately following the expiry of the First Six-Month Period
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	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(s) of our Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 8 January 2018, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Share Registrar”	Tricor Secretaries Limited, the share registrar of our Company
“Share Subdivision”	the subdivision of every then existing Share of the Company into 6,000,000 Shares as approved by the sole Shareholder by way of written resolutions passed on 3 July 2017
“STC International”	STC International Limited, a company incorporated in BVI, the trustee of the AY Discretionary Trust
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the three consecutive financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017
“True Fair”	True Fair Inc., an investment holding company incorporated in BVI on 6 March 1991 and an indirect wholly-owned subsidiary of our Company
“Ulferts Far East”	Ulferts of Sweden (Far East) Limited, a company incorporated in Hong Kong on 29 November 1975 and an indirect wholly-owned subsidiary of our Company
“Ulferts Holdings”	Ulferts International Group Holdings Limited, a company incorporated in BVI on 18 June 2012 and wholly owned by AY Holdings

DEFINITIONS

“Ulferts Investment”	Ulferts International Investment Limited (formerly known as Ulferts International Holdings Limited), a company incorporated in BVI on 17 February 1998 and wholly owned by our Company
“Ulferts Macau”	Ulferts of Sweden (Macau) Limited, a company incorporated under the laws of Macau on 15 April 2004 and an indirect wholly-owned subsidiary of our Company
“Underwriters”	the Public Offer Underwriter and the Placing Underwriters
“Underwriting Agreement”	the conditional underwriting agreement dated 15 January 2018 entered into between our Company, our executive Directors, the Joint Sponsors, the Lead Manager and the Underwriters relating to the Share Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Wealthy House”	Wealthy House Limited, a company incorporated in Hong Kong on 20 January 2012 and an indirect wholly-owned subsidiary of our Company
“ WHITE application form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be issued in the applicant’s own name
“ YELLOW application form(s)”	the application form(s) to be completed by the public who require the Public Offer Shares to be deposited directly into CCASS
“EURO”, “Euro”, “€” and “EUR”	EURO, the official currency of member states of the EU’s Eurozone
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Patacas, the lawful currency of Macau
“RMB”	Renminbi, the lawful currency of the PRC
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the US
“sq.ft.” and “sq.m.”	square foot(feet) and square metre(s), respectively
“%”	per cent.

DEFINITIONS

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may be an arithmetic aggregation of the figures preceding them.

The English language version of this prospectus has been translated into the Chinese language. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- Our goals and strategies and our various measures to implement such strategies;
- Our capital expenditure plans;
- Our operations and business prospects, including our development plans for our existing and new businesses;
- Our financial condition and results of operations;
- Exchange rate fluctuations and restrictions;
- Changes in economic conditions and competition in the territories we operate, including a downturn in the property markets;
- Calculation of breakeven period and payback period; and
- Future developments and competitive environment for the furniture and mattresses industries.

The words “anticipate”, “believe”, “continue”, “could”, “expect”, “estimate”, “future”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this prospectus. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Accordingly, the statements herein are not a guarantee of our future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations may be adversely affected by any of such risk factors. In such circumstances, the market price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our business may be affected by increase in rental expenses or the termination of leases of our retail stores

As at the Latest Practicable Date, save for the “Dormire” store at Fitfort, North Point, all our Group’s retail stores are leased from Independent Third Parties. Please refer to the paragraph headed “Sales and Distribution Network – Retail Stores” in the section headed “Business” in this prospectus for details of the tenancy agreements.

The retail stores, especially those for “Ulferts”, are essential to our business as they are the main distribution channel of our products. However, there is no assurance that our Group could renew the existing tenancies upon their respective expiry or could renew the same on terms and conditions no less favorable to our Group than the existing ones. Failure to renew the existing tenancies on terms and conditions acceptable to us may lead to disruption of our business and additional costs being incurred for relocation and renovation. If our Group is unable to find alternative locations that are suitable or on commercially acceptable terms in a timely manner, it may lead to reduction in the number of retail stores and our business, results of operation and financial condition may be adversely affected.

Furthermore, rental expenditure is one of the major costs in our business operation. During the Track Record Period, total rent, license fees, rates and building management fees of our retail stores, department store counters and roadshow venues and warehouse amounted to approximately HK\$29.1 million, HK\$40.5 million, HK\$46.4 million and HK\$23.8 million, representing 44.8%, 44.9%, 48.4% and 50.0% of our total selling and distribution expenses for the respective years and period ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. Any substantial increase in rental expenses of our retail venues may increase our cost of operation and may adversely affect our profitability and financial positions.

Reliance on our reputation and brand name

Our Group is principally engaged in retailing of imported furniture under our widely recognised trade name “Ulferts”. We believe the reputation of our name is one of the important factors for our success. The market perception and recognition of our name is built on our pursuit for high quality imported furniture products, our comprehensive customer services and the continuous marketing and promotion of the name for more than 40 years. Failure to manage any of these elements could adversely affect the value of our brand. If we are unable to sustain our goodwill or promote and further strengthen our name, our business, financial condition, results of operations and business prospect could be adversely affected.

RISK FACTORS

Moreover, in the assignment of the trademark and logo of “Ulferts” to the Group in 1991, territories such as Europe, the US, Mexico and Canada (“**Excluded Territory**”) were expressly excluded. Please refer to the section headed “History and Corporate Structure” in this prospectus for further details. For example, the trademark and logo “Ulferts” are still being used by certain furniture retail business in the US and Canada. Our Group cannot ensure that the companies carrying on business under the trade name of “Ulferts” in the Excluded Territory provide quality products and services to customers to a level commensurate with that of ours. If the reputation and image of the brand “Ulferts” is tarnished in other regions, our reputation in Hong Kong and therefore our business and results of operation may be adversely affected.

We rely on Hong Kong market

Hong Kong is our Group’s principal market. Approximately 99.5%, 99.4%, 98.9% and 98.9% of our Group’s revenue for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively were derived from Hong Kong. The Directors anticipate that income derived from sales in Hong Kong will continue to be the Group’s principal source of income in the near future. Our performance therefore depends significantly on the economic and market conditions in Hong Kong. In the event of any unfavourable change in the Hong Kong economy, adverse change of condition of the property market, reduced consumer confidence or factors affecting consumer spending, such as epidemics and deterioration of the global financial situation, we may not be able to increase or maintain our sales levels and our Group’s profitability and performance could be adversely affected.

Our business may be adversely affected by the closure of the Hunghom “Ulferts” retail store

During the Track Record Period revenue generated by the Hunghom “Ulferts” retail store amounted to approximately 27.4%, 22.4%, 19.6% and 17.7% of the revenue of our Group for the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 and the five months ended 31 August 2017 respectively. As disclosed in the paragraph headed “Sales and Distribution Network” in the “Business” section of this prospectus, this store closed with effect from 3 July 2017. If customers who are accustomed to visit it are not channeled to our other Ulferts retail stores, our results of operation and financial condition may be adversely affected.

Our historical average inventory turnover days was over 140 days. There is no assurance that we are able to respond effectively to the market trends and customer preferences in timely manner

We consider our ability to capture and identify market trends and effectively respond to customer preferences as one of the key factors to success in our business. In order to have a better understanding of the recent market trend and to anticipate customer preferences, our Group actively participates in various international trade exhibitions and commissioned market reports from time to time. Our Group cannot assure that we will be able to anticipate or respond to changes in customer preferences in a timely manner or successfully source new products that meet any changing preferences. If we are unable to anticipate or respond to changes in customer preferences or fail to bring to Hong Kong market in a timely manner products that satisfy new customer preferences, our business performance and profitability could be adversely affected.

RISK FACTORS

If the products sourced by our Group fail to meet consumers' tastes, our Group may also face the risk of keeping slow-moving inventories. During the Track Record Period, the inventory turnover days of our Group were approximately 172.3 days, 160.8 days, 147.7 days and 177.1 days respectively. As at 31 March 2015, 2016 and 2017 and 31 August 2017, inventory of our Group (before stock provision but including products ordered by customers but not yet delivered) amounted to approximately HK\$38.1 million, HK\$34.7 million, HK\$36.8 million and HK\$50.1 million respectively, among which approximately 19.3%, 22.8%, 22.0% and 15.6% of the inventories, respectively, were aged over one year and provisions for obsolete and slow-moving inventories, respectively, of approximately HK\$3.4 million, HK\$3.7 million, HK\$3.8 million and HK\$3.9 million were made. If our Group cannot manage to source appropriate inventories to suit customers' taste it may result in accumulation of our inventories, increase in the volume of obsolete and slow-moving stocks, inventory holding costs and inventory write downs, and the liquidity, financial position and the profitability of our Group may be adversely affected.

Our business depends on the continuing efforts of our executive Directors and key management personnel

The success of our Group depends, to a significant extent, on the expertise and experience of our executive Directors and members of our senior management, most of whom have played an important role in the development of our business. For example, Mr. Ricky Ng, our chief executive officer, has over 20 years of experience in the retail management business, Ms. Ivy Mok, our chief operating officer, has been working for our Group for over six years and prior to joining our Group has over 10 years of corporate management experience, and Mr. Tam Kim Ching, Joseph, our sales director, have been working for our Group for over 33 years. Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for further details.

The performance of our Group also depends on our ability to retain and motivate our executive Directors and members of senior management. There is no assurance that our Group could retain its executive Directors and key management personnel for their future services. If we were to lose the services of any of the existing management personnel without a suitable and timely replacement, or were unable to recruit qualified members to join our Group for future expansion, there could be a material adverse effect on our business, results of operations and business prospect.

We are exposed to foreign exchange fluctuation

All of our products are imported from overseas sourced from Europe, the PRC and other parts of Asia and we are subject to exchange rate risks. Most of our purchases are settled in foreign currencies, but our sales are in Hong Kong dollars. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, approximately 60.7%, 66.9%, 69.6% and 75.5% of our purchases respectively were settled in Euro and approximately 5.1%, 2.0%, 3.9% and 6.7% of our purchases respectively were settled in RMB, the exchange rates of both of which have been volatile during the Track Record Period.

During the Track Record Period, our Group has purchased forward contracts amounted in aggregate to HK\$5.4 million for the year ended 31 March 2015, which represented approximately 12.7% of our Group's purchase in Euro over the same period but since

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February 2015 we no longer undertook any hedging of the currency exchange risk. Our Group cannot predict the impact of future exchange rate fluctuations on our results of operations. In the event of appreciation of Euro and/or RMB against Hong Kong dollars, our profit margin will be affected if we are unable to transfer such additional cost to our customers, and our profitability and financial performance may suffer.

The supply and price of our products are influenced by a number of factors, some of which are beyond our control

As we do not manufacture our products but source them from suppliers in Europe and Asia (including the PRC), the price, quality and supply of our products may be influenced by a number of factors that are beyond our control, including but not limited to prices of raw materials, the imposition of import or export tariff or sales tax, the quality control of our suppliers, shipment delay, delay caused by mistake of logistic providers, bad weather and natural hazards. Any of the above mentioned factors could impact on the price, quality and supply of our products which could materially and adversely affect our business, results of operation and financial condition.

Potential exposure to product liability and quality issue

We source our products from suppliers and are subject to the inherent risks associated therewith, including product liability claims, quality control and compliance with relevant government regulations relating to use of restricted materials. As we do not have our own quality control team we depend significantly on the quality control measures of our suppliers. Our suppliers may not have adequate financial resources or insurance coverage to fulfill their obligations under any product warranties given by them. Seeking indemnifications from our suppliers may potentially lead to litigation and claims against us by customers may have an adverse effect on our reputation and brand image, which may lead to negative publicity and, regardless of its validity, may reduce sale of our Group, which may in turn adversely affect our Group's financial performance. We may also be held liable for purchase or import of products made of restricted materials or failing safety standards under the relevant laws and regulations governing the supplier and/or of Hong Kong.

In addition, if complaints from customers escalate into legal claims, resources such as time and legal costs would have to be incurred to address such claims, thereby further affecting the business and financial performance of our Group.

Our wholesale dealers may engage in price competition and market cannibalisation among themselves

Throughout the financial years ended 31 March 2015, 2016 and 2017, our Group has around 250 dealers under our wholesale of "Ulfenbo" mattresses and sofas, all in Hong Kong except one in Macau. We have notified our dealers that they must obtain our prior consent for using the "Ulfenbo" trademark or uploading "Ulfenbo" product photo or other information onto the internet, but save for this we did not have any policy or agreement with any dealer regarding coverage of sales districts by any particular dealer and our dealers have discretion as to the final retail prices of our "Ulfenbo" products they sell. There is no

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assurance that our dealers would not engage in any form of price competition or market cannibalisation which could have a material adverse effect on our Group's results of operations and financial condition. They may also compete with retail sales in our "Dormire" stores and roadshows which may have a material adverse effect on the performance of these stores and roadshows.

Our existing insurance may not sufficiently cover the risks related to our business operation

We maintain a number of insurance policies on our assets and against our operation risks including property damage insurance, public liability insurance, product liability insurance, employees compensation insurance and vehicle insurance. Details of our existing insurance coverage are set forth in the section headed "Business – Insurance" of this prospectus. We cannot guarantee that our existing insurance policies will sufficiently cover all potential liabilities or risks associated with our business operation. In the event that our insurance does not or is insufficient to compensate, or should we be unable to effect any insurance, for the losses or damages arising from the potential liabilities, our financial condition and results of operations could be adversely affected.

We may not be able to adequately protect our intellectual property rights and there may be copycat competition

As at the Latest Practicable Date, our Group has twenty trademarks registered in Hong Kong, four registered in Macau and twelve registered in PRC. Details of our intellectual property rights are set forth in Appendix IV of this prospectus. Unauthorised use of our trademarks may do damage to our brand and reputation and/or affect our business in other ways. We are not aware of any infringement of our intellectual property rights in the past in Hong Kong but there is no assurance that there will not be any infringement in the future. In the event that any infringement occurs, we may have to protect our intellectual property rights or other rights through litigation which may be costly and could have adverse impact on our business, results of operations and financial condition.

Moreover, there is no assurance that there will not be any copycat products of the furniture products we sourced overseas or our own "Ulfenbo" products being sold in Hong Kong or neighbouring cities. Demand for our products may be adversely affected should there be any copycat products and in which case, the performance and business operations of our Group may also be adversely affected.

Our products may be subject to third party intellectual property rights

As the products sourced by our Group are imported from various overseas suppliers, it is not commercially practicable for us to ascertain whether such products infringe on third party intellectual property rights. In the event that any product we sell infringes on third party intellectual property rights, we may also be found liable for such infringement and be compelled to discontinue the sale of the infringing products and/or pay damages or suffer other liabilities. It may also lead to litigation which could result in substantial costs and diversion of resources and negatively affect our, reputation, profitability and prospects.

RISK FACTORS

Sales volume fluctuates due to numerous factors

Our Group's revenue is affected by seasonality factor. During the Track Record Period, our Group experienced higher sales between November and January (the "**Peak Period**") before the Lunar New Year holidays. For each of the three years ended 31 March 2015, 2016 and 2017, retail sales in Peak Period represented approximately 31.6%, 32.2% and 34.5% of the Group's total retail sales of the respective year. Apart from that, retail sales volume fluctuates due to numerous factors such as our promotion campaigns, market sentiment and the property market. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between same periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance.

There is no assurance on continuity of our relationship with major suppliers and manufacturers

Our Group does not have long term agreements with our existing suppliers and we purchase from these suppliers on an order-by-order basis. During the Track Record Period, purchases from our Group's top five suppliers in aggregate accounted for approximately 38.6%, 40.9%, 38.9% and 37.4% of our Group's total purchases for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. There is no assurance that our Group can continue to source products from our existing suppliers, and in particular our top five suppliers, or on terms acceptable to us. As a result, our Group may have to source products from other suppliers. If our Group is unable to find alternative suppliers with products that are comparable or on commercially acceptable terms in a timely manner, our business and results of operation may be adversely affected.

There is no assurance on continuity of our relationship with major dealers

Our Group does not have long term agreements with our existing wholesale dealers and these dealers purchase from our Group on an order-by-order basis. During the Track Record Period, revenue derived from wholesale of our "Uifenbo" products to dealers accounted for approximately 8.0%, 6.5%, 5.9% and 5.5% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. There is no assurance that our existing dealers will continue to purchase products from our Group. As a result, if demand from our existing dealers decreases and our Group is unable to secure new dealers in a timely manner, our business and results of operation may be adversely affected.

Non-exclusive distribution may adversely affect our profitability

We have rapport with our suppliers that they will refrain from supplying the same products as those supplied to us to other furniture retailers in Hong Kong, but such understanding is not a formal arrangement. Should our suppliers destroy such rapport and sell their products to other furniture retailers in Hong Kong, we may have difficulty in seeking redress against such suppliers. The selling of the same or similar products from the same supplier by other furniture retailers in Hong Kong could adversely affect our business performance and profitability.

RISK FACTORS

Our business operations may be materially and adversely affected by any information technology system failure

Our Group relies on information technology systems, such as the ERP system, which interface with our POS System and accounting softwares, and we communicate with our overseas suppliers mostly by electronic means, all of which are critical to our day-to-day business operations. There is no assurance that our Group's information technology systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failures of our Group's information technology system from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. We have back-up systems in place but there is no assurance that these systems will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up systems will not be damaged simultaneously with our primary system, in which case our business operation will be materially and adversely affected.

There is no assurance on sustainability of growth of our Group

During the Track Record Period, revenue of our Group grew from approximately HK\$181.3 million for the year ended 31 March 2015 to HK\$210.1 million for the financial year ended 31 March 2016 and to HK\$224.3 million for the financial year ended 31 March 2017 while the profit of the Group was approximately HK\$23.3 million for the financial year ended 31 March 2015 and dropped slightly to approximately HK\$22.4 million for the financial year ended 31 March 2016, and increased to HK\$30.1 million for the financial year ended 31 March 2017. The growth of our business is subject to a number of factors beyond our control and there is no assurance that our Group could sustain the revenue and profit or achieve the amount equivalent to or exceeding historical records in the future. The results during Track Record Period should not be used as an indication of our future business performance.

We may not succeed in implementing our business strategies and future expansion plan

We cannot guarantee our business strategies and future expansion plans as proposed in this prospectus will be successful as there are a number of factors which are beyond our control and may affect our business prospects such as economic and political conditions, global economic conditions, change in government regulations and customers' behavior. In particular, there is no assurance that we will be able to find suitable locations for the opening of new stores on terms commercially acceptable to us. On the other hand, such expansion may put pressure on our managerial, financial and operational resources. If we are unable to manage our expansion and the rising costs associated with such expansion effectively, our financial condition and result of operation may be adversely affected.

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In respect of our operating lease commitments, the future application of HKFRS 16 may materially affect the amounts of right-of-use assets, lease liabilities, rental expense, depreciation and interest expense to be recognised after the adoption of this standard.

During the Track Record Period, our Group was lessees under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in Note 2.3 of the Accountants' Report in Appendix I to this prospectus. As at 31 August 2017, our total non-cancellable operating lease commitments amounted to approximately HK\$69.9 million, of which HK\$69.5 million had an original lease term of over one year.

During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on 1 April 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position after the adoption of the new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by changes in our lease liability position. In our consolidated statement of profit or loss and other comprehensive income after the adoption of the new standard, the financial impact of leases will be recognised in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expense. Interest expense on the lease liabilities will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. Further details of the application of HKFRS 16 are set out in Note 2.2 of the Accountants' Report in Appendix I to this prospectus.

RISKS RELATING TO THE INDUSTRY

Furniture retail industry is highly competitive and pricing pressure from our competitors may harm our revenues and profitability

Our Directors are of the view that furniture retailing industry in Hong Kong is highly competitive due to the low entry barriers for the industry. Our Directors believe that in the furniture retailing industry, the elements of competition include, but are not limited to, price, quality and design of the products, reputation and market perception of the brand and comprehensive after-sales services. The pricing of similar products by competitors may adversely affect the pricing of our products. If our competitors reduce their prices significantly, we may have to reduce our selling prices or adjust our business strategies in

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order to maintain our competitiveness which could adversely affect our business, revenues and profitability. There is no assurance that our Group will be able to compete with our competitors in the industry in light of the changing and competitive market environment.

Adverse change in government regulations may materially and adversely affect our operations and financial condition

Our principal business operations are based in Hong Kong and at present, save as those set out in the paragraph headed “Hong Kong Laws and Regulation” in the section headed “Industry and Regulatory Overview” of this prospectus, there are no particular laws or regulations governing our business. Currently our Group has obtained all licences necessary for carrying on its businesses in the current scope. Should there be any changes in the regulatory requirements and our Group is not able to comply with them in a timely manner or if compliance of these requirements involved substantial costs, the business, results of operation and financial position of our Group may be adversely affected.

RISKS RELATING TO THIS SHARE OFFER

There has been no prior public market for the Shares, and the liquidity and market price of our Shares may be volatile

Prior to the Listing, there has been no public market for our Shares. The initial Offer Price range of the Offer Shares, and the Offer Price will be determined by the Lead Manager (for itself and on behalf of the Underwriters) and us. 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, there can be no guarantee that (i) an active trading market for our Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Share Offer, or (iii) that the market price of our Shares will not decline below the Offer Price.

Future sales by our Controlling Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

We cannot assure you that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, that any future sales of Shares by any Controlling Shareholders, or the availability of Shares for sale by any Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of Shares by any Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

The interests of Shareholders may be diluted as a result of additional equity fund raising in the future

Our Group may need to raise additional funds in the future, subject to the financial condition, for the expansion of operations or new acquisition. The fund raising may result in issuance of new Shares or other equity related securities of our Company other than on

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pro-rata basis to existing Shareholders. In addition, any such new securities may have preferred rights, preferences and/or privileges over those attaching to the Shares. Therefore, the Shareholders may experience substantial dilution in their interests in our Company.

Past dividends should not be used as a reference for dividend policy of our Company in the future

The Company declared dividends of approximately HK\$33.0 million and HK\$4.9 million for the years ended 31 March 2015 and 2016, respectively and has, subsequent to the Track Record Period, declared dividends of HK\$72.0 million. Investors are cautioned not to use historical dividend distribution by the Company as the indication of our future dividend policy and there is no assurance that dividends will be declared or paid in an amount equivalent to or exceeding historical dividends declared or at all. The declaration, payment and amount of any further dividends are subject to the discretion of our Directors depending on, amongst other factors, our revenue, financial condition, cash requirements, provisions governing the declaration and distribution as contained in our Articles of Association, applicable law and other relevant factors.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be reliable

Certain information and statistics contained in this prospectus have been extracted and derived, in part, from the Euromonitor Report and various publications and statistics prepared by government agencies or Independent Third Parties. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that could render such information or statistics false or misleading in any material respect. Neither our Company, our Controlling Shareholders, the Joint Sponsors, the Lead Manager, nor any of the Underwriter(s), any of our or their respective affiliates, officers or representatives or any other person involved in the Share Offer have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their accuracy.

While we have taken reasonable care to reproduce such information, we cannot guarantee the accuracy and reliability of the information contained in such sources. Those facts and statistics may not be consistent with other information compiled within or outside Hong Kong and may not be complete or up-to-date. In all cases, investors should take into account the level of reliability and importance for all such information and statistics.

**WAIVERS FROM STRICT COMPLIANCE WITH
THE REQUIREMENTS UNDER THE LISTING RULES**

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Certain subsidiaries of the Company have entered into and are expected to continue certain transactions, which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon the Listing. The Company has applied to the Stock Exchange for and the Stock Exchange has granted a waiver from the strict compliance with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in 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 CWUMPO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors 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, and there are no other facts the omission of which would make any statement in this prospectus misleading.

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.

INFORMATION ON THE PUBLIC OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. So far as the Share Offer is concerned, no person is authorised to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Lead Manager, the Underwriters, any of their respective directors or affiliates, or any other parties involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our Group's affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Public Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus, and the procedures for applying for Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

The Share Offer comprises the Public Offer and the Placing. This prospectus and the Application Forms set out the terms and conditions of the Share Offer. The Public Offer Shares and the Placing Shares are being offered for subscription at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus.

The Share Offer is sponsored by the Joint Sponsors and fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by Emperor Securities (for itself and on behalf of the Underwriters) and our Company on or around Monday, 22 January 2018, or such later date as may be agreed between Emperor Securities (for itself and on behalf of the Underwriters) and our Company but in any event no later than Tuesday, 23 January 2018.

If Emperor Securities (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on Monday, 22 January 2018, or such later date as may be agreed between Emperor Securities (for itself and on behalf of the Underwriters) and our Company but in any event not later than Tuesday, 23 January 2018, the Share Offer will not become unconditional and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out under the section headed “Structure and Conditions of the Share Offer” of this prospectus.

RESTRICTION ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation 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 offer or invitation.

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.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the listing committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including the Offer Shares and any Shares which may be issued pursuant to the exercise of the options granted or to be granted under the Share Option Scheme which represent 10% of our Shares in issue on the Listing Date, on the Main Board respectively.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Save as disclosed above, no part of our Company's share capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, our Shares on any other stock exchange.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares in issue and to be issued pursuant to the Share Offer will upon Listing be registered on our Company's register of members in Hong Kong maintained by Tricor Secretaries Limited. Only Shares registered on our Company's register of members may be traded on the Stock Exchange.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding, disposing of or dealing in the Offer Shares, you should consult an expert.

Our Company, the Joint Sponsors, the Lead Manager, the Underwriters, their respective directors, agents, advisers or any other person involved in the Share Offer do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, or purchasing, holding, disposing of or dealing in the Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, our Shares on the Stock Exchange and the 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 Listing Date or any other date HKSCC chooses. 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 our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on the Main Board are expected to commence on Monday, 29 January 2018. Shares will be traded in board lots of 10,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WONG Chi Fai 黃志輝	Flat B, 19/F, Tower II Clovelly Court 12 May Road Hong Kong	Chinese
Mr. NG Koon Keung, Ricky 吳冠強	Flat A, 46/F, Tower 7 Tierra Verde, Tsing King Road Tsing Yi New Territories	Chinese
Ms. MOK Fung Lin, Ivy 莫鳳蓮	Flat E, 34/F, Block 2 Illumination Terrace 7 Tai Hang Road Causeway Bay Hong Kong	Chinese
Ms. FAN Man Seung, Vanessa 范敏嫦	Flat E, 5/F Woodland Heights 2 Wong Nai Chung Gap Road Hong Kong	Chinese
Independent non-executive Directors		
Mr. CHIU Kin Fai 招健暉	Flat LB, 61/F Tower 2, Lucerne, The Capitol Phase 1, Tseung Kwan O New Territories	Chinese
Mr. NG Hoi Yue 伍海于	Flat B, 10/F, Ming Court 130-132 Boundary Street Mongkok, Kowloon	Chinese
Ms. CHAN Yee Man 陳綺雯	Flat B, 28/F Tower 3B, Lions Rise 8 Muk Lun Street Wong Tai Sin, Kowloon	Chinese

Further information of the Directors is disclosed in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Joint Sponsors

Emperor Capital Limited
28/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

Sole Bookrunner and Lead Manager

Emperor Securities Limited
23-24/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

Public Offer Underwriters

Emperor Securities Limited
23-24/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Taiping Securities (HK) Co Limited
2901 China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

Placing Underwriters

Emperor Securities Limited
23-24/F Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Taiping Securities (HK) Co Limited
2901 China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal Advisors to the Company	<p><i>As to Hong Kong law</i> David Chan & Carmen Chan, Solicitors Room 3006, West Tower, Shun Tak Centre 168-200 Connaught Road Central, Hong Kong</p> <p><i>As to Hong Kong law relating to tenancies and sale of consumer goods</i> Mr. Chan Chung, Barrister-at-law 10/F, Grand Building 15-18 Connaught Road Central, Hong Kong</p> <p><i>As to Macau law</i> MdME Lawyers Avenida da Praia Grande 409, China Law Building 21/F and 23/F A-B Macau</p>
Legal Advisor to the Joint Sponsors and the Underwriters	<p><i>As to Hong Kong law</i> Vincent T.K. Cheung, Yap & Co. 11/F Central Building 1-3 Pedder Street Central, Hong Kong</p>
Compliance Advisor	<p>Octal Capital Limited 801-805, 8th Floor, Nan Fung Tower 88 Connaught Road Central Hong Kong</p>
Auditor and Reporting Accountants	<p>Ernst & Young Certified Public Accountants 22/F CITIC Tower 1 Tim Mei Avenue, Central Hong Kong</p>
Receiving Bank	<p>The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office and principal place of business in Hong Kong	Units 1206-7, 12/F Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Company's website	www.ulferts.com.hk <i>(information contained in our Company's website does not form part of this prospectus)</i>
Company Secretary	Ms. Mok Fung Lin, Ivy (member of the Law Society of Hong Kong) Units 1206-7, 12/F Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Authorised Representatives	Ms. Mok Fung Lin, Ivy Units 1206-7, 12/F Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong Ms. Fan Man Seung, Vanessa 28/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Audit Committee	Ms Chan Yee Man (<i>Chairperson</i>) Mr. Ng Hoi Yue Mr. Chiu Kin Fai
Nomination Committee	Mr. Chiu Kin Fai (<i>Chairman</i>) Ms. Fan Man Seung, Vanessa Ms. Chan Yee Man
Remuneration Committee	Mr. Ng Hoi Yue (<i>Chairman</i>) Mr. Wong Chi Fai Ms. Chan Yee Man
Corporate Governance Committee	Ms. Fan Man Seung, Vanessa (<i>Chairperson</i>) Mr. Chiu Kin Fai Mr. Ng Hoi Yue a representative from company secretarial function a representative from finance and accounts function

CORPORATE INFORMATION

Share Registrar

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Chong Hing Bank Limited
1/F., Fung Lok Commercial Building
163 Wing Lok Street
Sheung Wan
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
Level 11, HSBC Main Building
1 Queen's Road Central
Hong Kong

INDUSTRY AND REGULATORY OVERVIEW

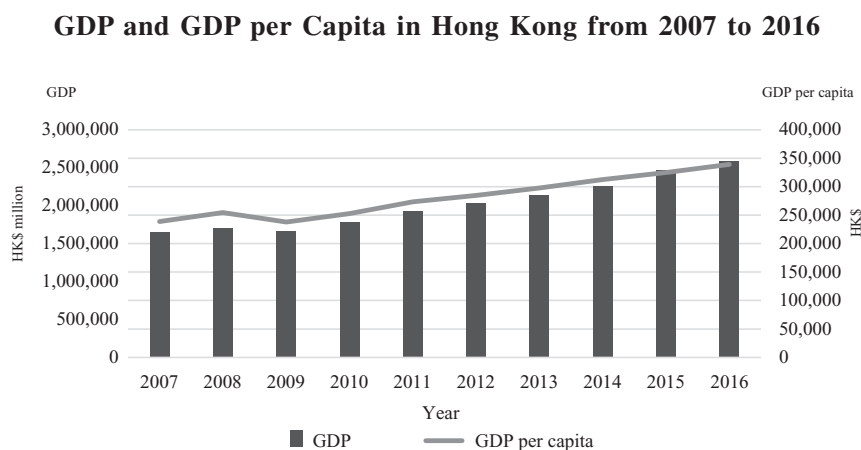
We have extracted and derived the information and statistics in the section below, in part, from various official government publications as well as the Euromonitor Report. The information derived from the Euromonitor Report reflects estimates of market conditions based on primary research, secondary research, projected data and independent analysis, and is prepared primarily as a market research tool. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Joint Sponsors, the Lead Manager, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. References to Euromonitor International Limited and/or the Euromonitor Report should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in our Group. Accordingly, you should not place undue reliance on such information and statistics.

Our Group has been a retailer of imported furniture in Hong Kong for over 40 years. The main drivers to current and future growth of the furniture retailing industry in Hong Kong include general economic conditions in Hong Kong, the primary and secondary property market as well as the demographic trend.

OVERVIEW OF HONG KONG ECONOMY

GDP in Hong Kong

Over the 10 years ended 2016, the GDP and per capita GDP in Hong Kong have experienced a steady growth with fast recovery from the setback during the period of the global financial crisis in 2009 and pro-democracy protests in 2014. According to the Census and Statistics Department of the Government of Hong Kong, the GDP in Hong Kong has grown from HK\$1,651 billion in 2007 to HK\$2,491 billion in 2016, representing a CAGR of approximately 4.68%. The per capita GDP in Hong Kong also increased from approximately HK\$238,676 to HK\$339,531 during such period. The following chart illustrates the GDP and GDP per capita in Hong Kong from years 2007 to 2016.



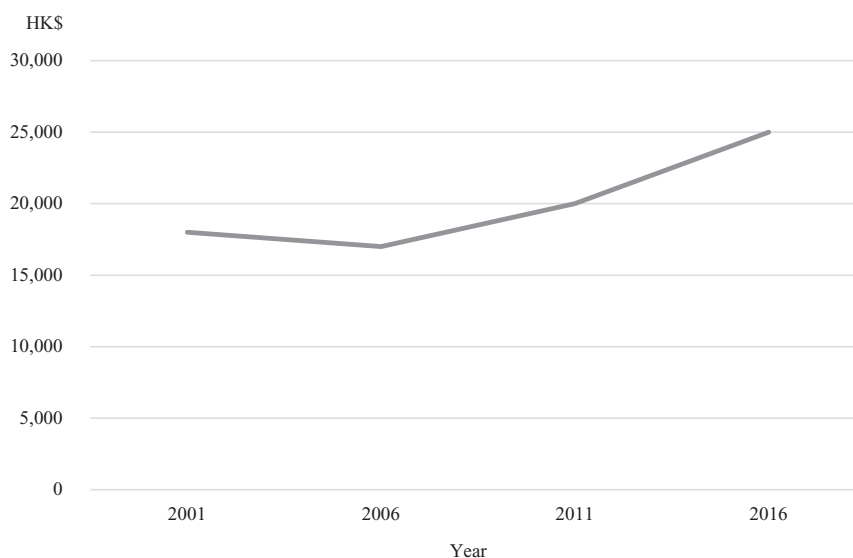
Source: Census and Statistics Department of the Government of Hong Kong

INDUSTRY AND REGULATORY OVERVIEW

Median Monthly Income for Domestic Households in Hong Kong

With the growth in the Hong Kong economy as shown above, the median monthly income for domestic households in Hong Kong has also experienced gradual growth throughout the 15 years from HK\$18,000 in 2001 to HK\$25,000 in 2016 with a slight dip between 2001 and 2006 only, representing a CAGR of approximately 2.21%. The following chart shows the median monthly household income for domestic households in Hong Kong from years 2001 to 2016.

Median Monthly Household Income for Domestic Households in Hong Kong from 2001 to 2016



Source: Census and Statistics Department of the Government of Hong Kong

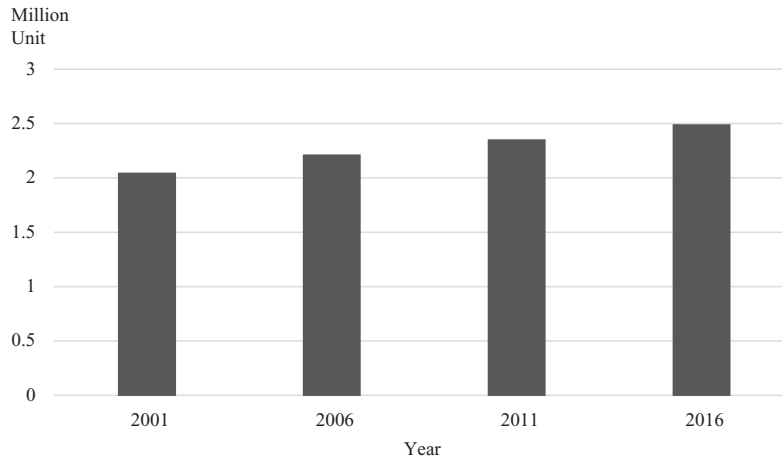
Based on the Quarterly Reports on General Household Survey issued by Census and Statistics Department of the Government of Hong Kong, the seasonally adjusted unemployment rate remained steady from 2011 to 2016 ranging between 3.1% and 3.8%, with a slight drop from 3.4% in 2013 to 3.3% in 2014, and raised marginally from 3.3% in 2015 to 3.4% in 2016. The seasonally adjusted unemployment rate in the 2nd quarter of 2017 was 3.1%, which was lower than 3.3% in the 4th quarter of 2016.

Number of Domestic Households in Hong Kong

The number of domestic households in Hong Kong boosted from approximately 2.1 million in 2001 to approximately 2.5 million in 2016, representing a CAGR of 1.17%. With the steady growth in number of domestic households, the demand for home furniture in Hong Kong is expected to increase.

INDUSTRY AND REGULATORY OVERVIEW

Number of Domestic Households in Hong Kong from 2001 to 2016

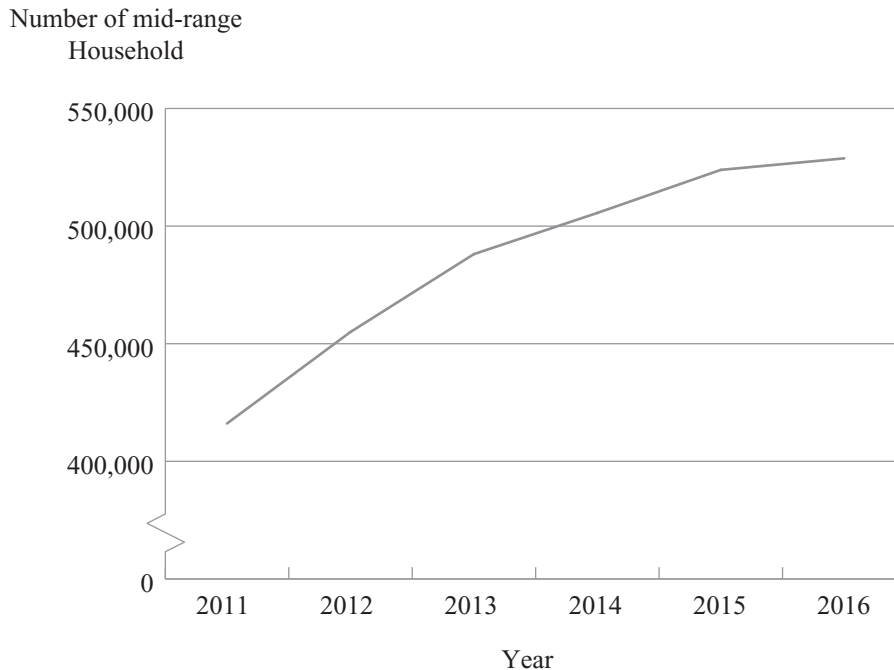


Source: Census and Statistics Department of the Government of Hong Kong

Number of Mid-range Domestic Households in Hong Kong

The number of households with monthly household income of between HK\$30,000 and HK\$49,999 (“**mid-range domestic households**”) in Hong Kong boosted from approximately 416,000 in 2011 to approximately 529,000 in 2016, representing a CAGR of 4.92%. With the steady growth in number of mid-range domestic households, the demand for home furniture of which the target customers is mid-range domestic households in Hong Kong is expected to increase.

Number of Mid-range Domestic Households in Hong Kong from 2011 to 2016



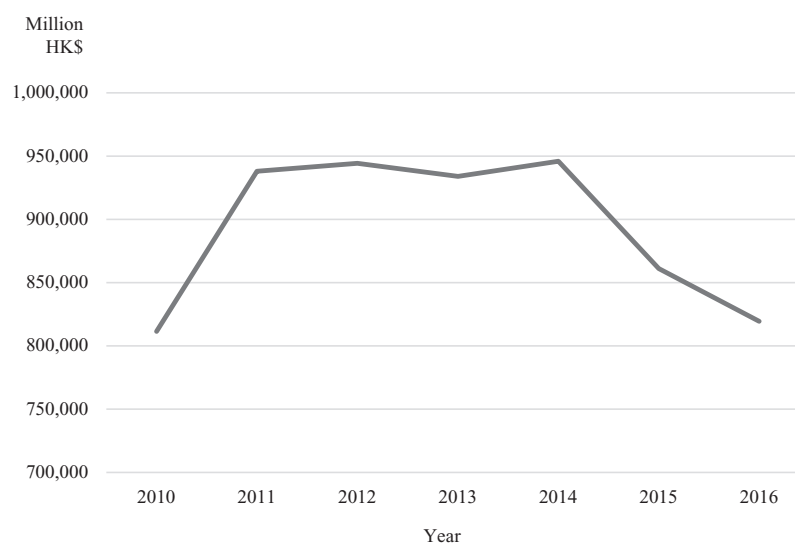
Source: Census and Statistics Department of the Government of Hong Kong

INDUSTRY AND REGULATORY OVERVIEW

Imports of Consumer Goods into Hong Kong

Correlating with the growth in GDP, median monthly income for domestic households in Hong Kong and number of domestic households in Hong Kong, the value of import of consumer goods into Hong Kong increased from approximately HK\$811,446 million in 2010 to approximately HK\$938,089 million in 2011 and remained steady until 2014. The value dropped to HK\$819,382 million in 2016 but was still higher than that in 2010 by 1.0%. The following chart illustrates the import value of consumer goods from years 2010 to 2016.

Value of Import of Consumer Goods into Hong Kong from 2010 to 2016



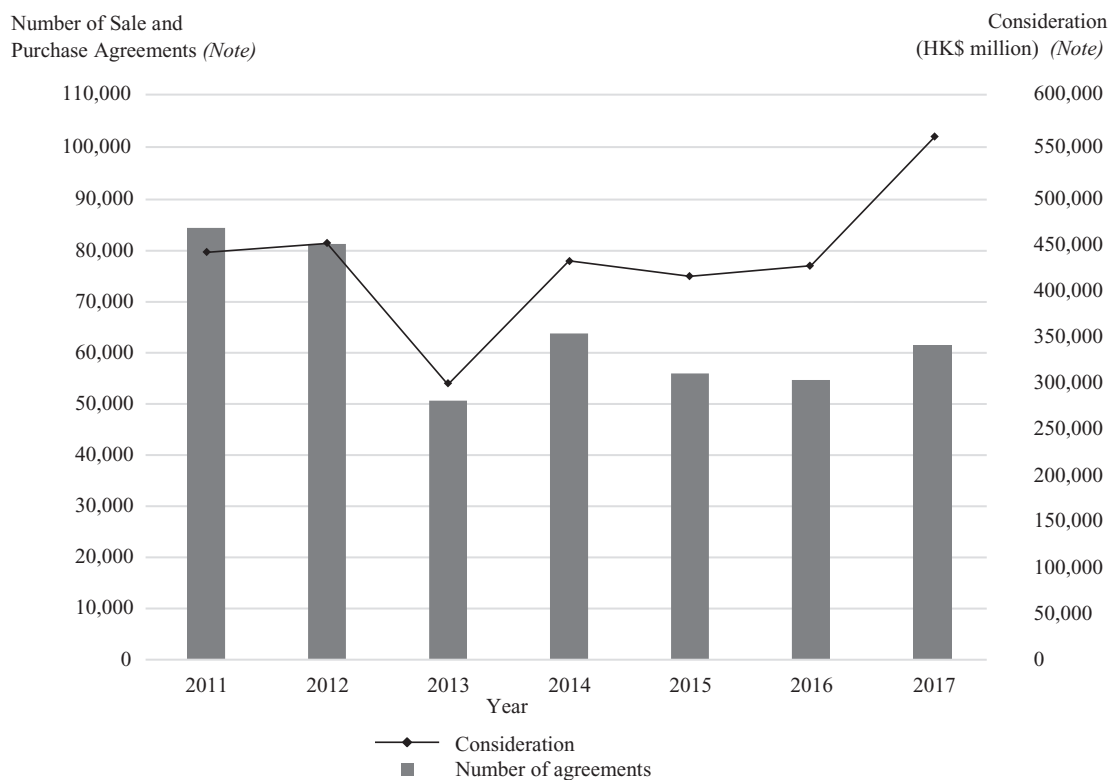
Source: Census and Statistics Department of the Government of Hong Kong

The Property Market in Hong Kong

Affected by onset of the global financial crisis, the number of sale and purchase agreements for domestic properties decreased sharply from 81,333 in 2012 to 50,676 in 2013. In October 2012, the government of Hong Kong announced that it would implement further measures in respect of the property which was acquired on or after 27 October 2012 to avoid the risk of a property bubble including (i) to increase the special stamp duty to 20% from 15% if the relevant property has been held for 6 months or less and (ii) imposing a 15% buyer's stamp duty on residential properties acquired by any person except a Hong Kong permanent resident. After the implementation of the government's property cooling measures, the total consideration for sale and purchase of domestic properties dropped significantly from approximately HK\$452,275 million in 2012 to HK\$298,942 million in 2013. The number of sale and purchase agreements for domestic properties then increased sharply from 50,676 in 2013 to 63,807 in 2014. The number remained steady from 55,982 in 2015 to 54,701 in 2016 but increased to 61,591 in 2017. The monthly average number of residential property transactions in Hong Kong in 2017 is approximately 5,133, representing an increase of approximately 12.6% as compared with the record in 2016 and an increase of approximately 10.0% as compared with the record in 2015, respectively.

INDUSTRY AND REGULATORY OVERVIEW

Number of Sale and Purchase Agreements for Domestic Properties in Hong Kong and the Respective Total Consideration from 2011 to 2017



Source: Rating and Valuation Department of the Government of Hong Kong

Note: These figures do not include sale of units under the Home Ownership Schemes, the Private Sector Participation Scheme and the Tenants Purchase Scheme, except those after payment of premium.

Monthly Average Number of Residential Property Transactions in Hong Kong

	2013	2014	2015	2016	2017 (Note)
1st quarter	5,424	3,596	5,589	2,074	4,407
2nd quarter	3,814	5,337	5,164	4,567	6,297
3rd quarter	3,693	6,654	4,517	5,963	4,386
4th quarter	3,961	5,682	3,390	5,630	5,440
Full year	4,223	5,317	4,665	4,558	5,133

Note: The figures are released by the Land Registry in January 2018.

Source: Rating and Valuation Department of the Government of Hong Kong and The Land Registry of the Government of Hong Kong

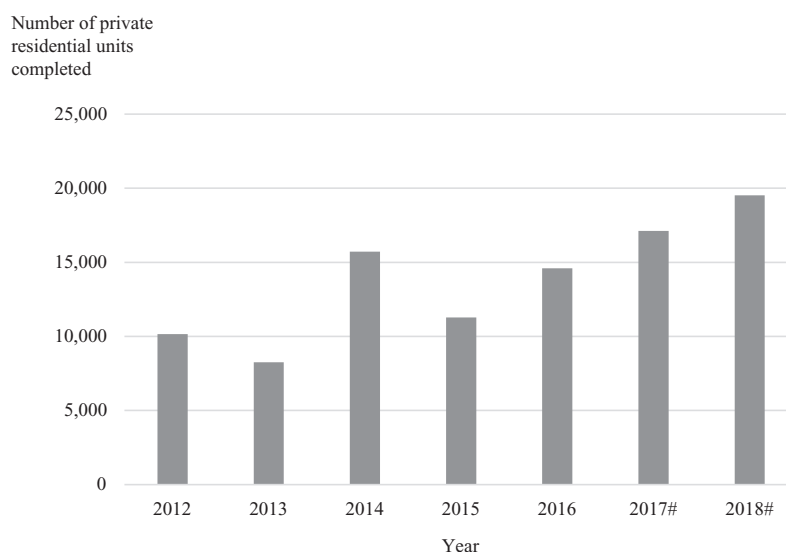
INDUSTRY AND REGULATORY OVERVIEW

Completion of Private Residential Units in Hong Kong

The number of new private residential units completed in Hong Kong was decreasing from 2012 to 2013. However, there was a significant increase of 90.4% in the number of residential units completed in 2014 as compared to 2013.

According to the data extracted from the Rating and Valuation Department, the number of residential units completed in Hong Kong increased to 14,595 units in 2016, representing an increase of 29.4% from 2015, and it is expected there would be a further increase to 19,526 units in 2018.

Number of Private Residential Units Completed in Hong Kong from 2012 to 2018#



Note: “#” stands for forecast figures as at 28.04.2017

Source: Rating and Valuation Department of the Government of Hong Kong

FURNITURE MARKET IN HONG KONG

Imports of Furniture and Parts into Hong Kong

Even though the value of imports of consumer goods and the monthly average number of sale and purchase agreements decreased from 945,943 million in 2014 to 819,382 million in 2016 and 5,317 million in 2014 to 4,558 million in 2016 respectively, the imports of furniture and parts into Hong Kong still slightly increased from approximately HK\$7,105 million in 2014 to HK\$7,271 million in 2016, representing a CAGR of approximately 1.16%. The following table sets forth the imports of furniture and parts into Hong Kong from years 2014 to 2016.

	2014		2015		2016	
	HK\$ (million)	Change in percentage (%)	HK\$ (million)	Change in percentage (%)	HK\$ (million)	Change in percentage (%)
Furniture and parts	7,105	-0.6	7,483	5.3	7,271	-2.8

Source: Hong Kong Trade Statistics, Census and Statistics Department of the Government of Hong Kong

INDUSTRY AND REGULATORY OVERVIEW

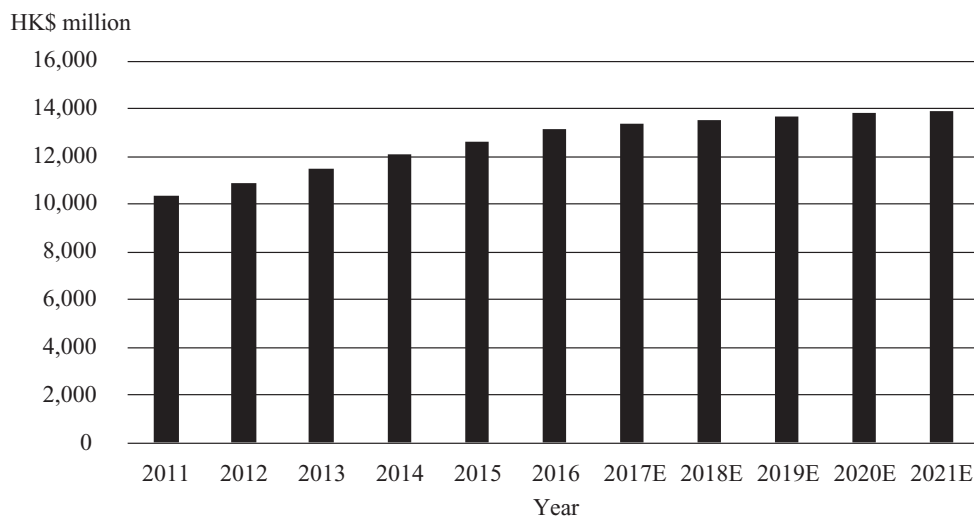
Sales of Home Furnishings in Hong Kong

According to the Euromonitor Report named “Home Furnishings in Hong Kong, China, 2017 edition”, sales of home furnishing in Hong Kong was approximately HK\$13.1 billion in 2016, an increase of 27.2% over 2011. Additionally, in the forecast period from 2017 to 2021, one of the key drivers for sales growth would be the shrinking of living space which limits the amount of furniture consumers can buy. This in turn encourages them to turn to compact yet multi-purpose furniture or custom-made furniture, which command high retail prices.

Following the cooling measures and the expected increase in the supply of public and private apartments, Euromonitor Report expects the increase in property prices to slow down over the forecast period and consumers will be able to invest in new properties and renovate their existing homes, notwithstanding very high property prices are likely to persist in the forecast period. This will make home ownership even more difficult. Consequently, Hong Kong residents will turn to smaller apartments which will impact the home furnishings industry negatively. In view of above, home furnishings is expected to post a value CAGR of 1% at constant 2016 prices over the forecast period from 2017 to 2021.

The following chart shows the actual and forecasted retail sales value of Home Furnishing in Hong Kong between 2011 and 2021.

Sale of Home Furnishing in Hong Kong from 2011 to 2021E



Note: “E” stands for forecasted data

Source: Euromonitor International Limited, Home Furnishings in Hong Kong, China, 2017 edition

The Group’s Market Share in Hong Kong

The Directors believe that the entry barrier for home furnishing industry in Hong Kong is relatively low. The retail scene for furniture and furnishings is largely dominated by domestic players, with many independent furniture and furnishing retailers throughout Hong Kong. The products and service they offer vary from store to store. Some design and manufacture their products locally or in the PRC, some also sell imported products and/or offer services such as customising furniture based on specific customer requests.

INDUSTRY AND REGULATORY OVERVIEW

Based on the figures of retail sales value of home furnishing in Hong Kong in the Euromonitor Report, the following table sets forth the market share of the top 3 players in home furnishing (category includes mattresses, sofa sets and dining furniture etc.) sold between 2014 and 2016:

<i>Home Furnishing</i>	Retail Sales Value (%)		
	2014	2015	2016
Company A	10.8%	10.7%	10.7%
Company B	9.9%	9.9%	10.0%
Company C	5.3%	5.3%	5.5%
Others	74.0%	74.1%	73.8%
Total Retail Sales Value (<i>HK\$ million</i>)	<u>12,089.1</u>	<u>12,636.7</u>	<u>13,138.3</u>

Source: Euromonitor International Limited, Home Furnishings in Hong Kong, China, 2017 edition

As shown from the above data, the home furnishing industry in Hong Kong has the top three market players collectively accounting for an approximately 26.0% of market share throughout 2014 to 2016 in term of retail sales value. Company A was the largest brand owner in home furnishing in Hong Kong in 2016 with a market share of approximately 10.7% of the home furnishing industry in Hong Kong, followed by Company B and Company C, with a market share of approximately 10.0% and 5.5% respectively.

Company A is a global brand, based in the Netherlands. The brand has products across most categories in the home furnishing such as home textiles, indoor furniture, lighting, and others. Company B and Company C are based in Hong Kong, both engaged in production of home furnishing products. Company B is engaged in production, wholesale and retail of mattresses, pillows, bedding, sofas and other indoor furniture. Company C produces mattresses, mattress pads, bed linens and spreads, pillow cases, quilts, and other home furnishing products.

Based on the data of the retail sales value of the home furnishing in Hong Kong as illustrated above, the following table sets forth the market share by our Group for the years from 2014 to 2016.

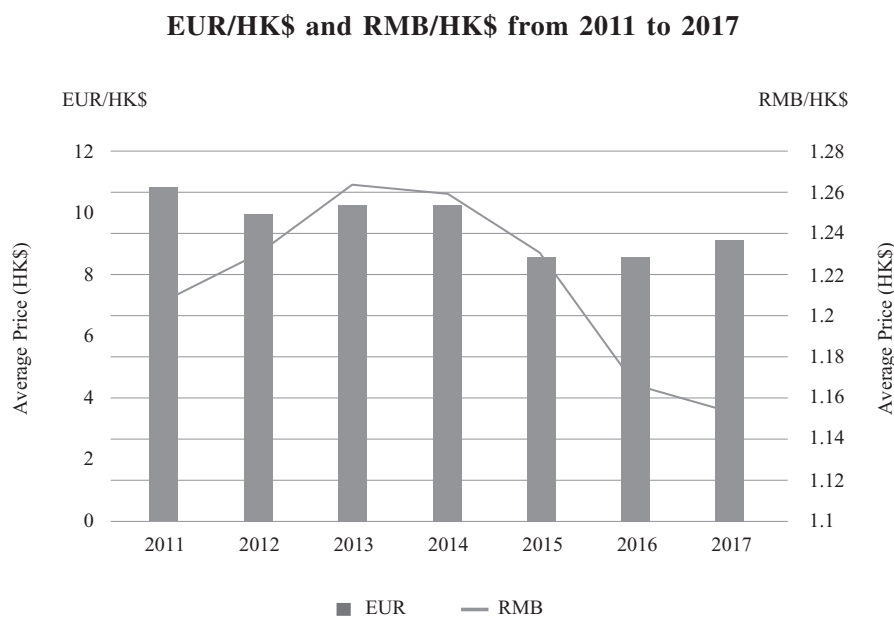
	Retail Sales Value			Market Share		
	<i>(HK\$ million)</i>					
	2014	2015	2016	2014	2015	2016
The Group (<i>Note</i>)	174.3	204.2	221.0	1.4%	1.6%	1.7%

Note: The calculation for years 2014, 2015 and 2016 is based on the Group's revenue derived from the sales of indoor home furnishing (including mattresses, sofa sets and dining furniture etc. and sales through wholesale dealers) in Hong Kong for the three years ended 31 March 2015, 2016 and 2017 respectively.

INDUSTRY AND REGULATORY OVERVIEW

CURRENCY FLUCTUATION

We source our products from our overseas suppliers. Most of our purchases are denominated and settled in foreign currencies mainly Euro, RMB and US\$. Both EUR and RMB have been volatile during the past years. The following chart illustrates the average exchange rate fluctuation of EUR and RMB against HK\$ from years 2011 to 2017:



Source: Census and Statistics Department of the Government of Hong Kong

Note: Figures are the averages of the daily closing middle-market rates for the respective period.

Fluctuation of EUR/HK\$

Based on the figures above, from 2011 to 2014, the average exchange rate of EUR to HK\$ stayed between EUR1 to HK\$10.84 and EUR1 to HK\$9.97. However, on 22 January 2015, European Central Bank announced an “expanded asset purchase programme”, where EUR60 billion per month of euro-area bonds issued by central governments, agencies and European institutions would be bought. As a result, the EUR to HK\$ exchange rate dropped significantly from an average of EUR1 to HK\$10.3 in 2014 to an average of EUR1 to HK\$8.6 in 2015, representing a decrease of approximately 16.5%. After that, the average exchange rate of EUR to HK\$ remained at a relatively low level of EUR1 to HK\$8.59 and EUR1 to HK\$8.80, in 2016 and 2017 respectively, but bounced back to EUR1 to HK\$9.36 as at Latest Practicable Date.

Fluctuation of RMB/HK\$

Based on the figures above, from 2011 to 2013, the RMB had continued to appreciate against HK\$ at a steady rate, from an average of RMB1 to HK\$1.207 in 2011 to an average of RMB1 to HK\$1.263 in 2013. After that, it dropped slightly from an average of RMB1 to HK\$1.263 in 2013 to an average of RMB1 to HK\$1.259 in 2014. From 2014 to 2017, it further depreciated to an average of RMB1 to HK\$1.155 from an average of RMB1 to HK\$1.264, but bounced back to RMB1 to HK\$1.20 as at Latest Practicable Date.

INDUSTRY AND REGULATORY OVERVIEW

Please refer to the paragraph headed “We are exposed to foreign exchange fluctuation” in the section headed “Risk Factors” to this prospectus for impacts of the fluctuation in the exchange rates of EUR against HK\$ and RMB against HK\$ on the business of the Group.

Sources of Information

The Census and Statistics Department of the Government of Hong Kong is the government department of Hong Kong Special Administrative Region which is responsible for providing the statistics data on various domestics and international social and economic aspects of Hong Kong.

The Rating and Valuation Department of the Government of Hong Kong is a government department which is responsible to provide equitable valuation for the property and authorised to collect rates and government rent in Hong Kong.

Euromonitor International Limited is an independent industry consultancy company. The Company has made reference to the market research report issued by Euromonitor International Limited named “Home Furnishings in Hong Kong, China, 2017 edition”. Euromonitor International Limited has not been appointed as the industry research consultant and cost for the Euromonitor Report and the cited analysis from Euromonitor International Limited were US\$891 and US\$15,000 respectively, which were one-off payment and are not contingent upon our successful listing or on any of the results provided within the Euromonitor Report.

HONG KONG LAWS AND REGULATIONS

The following sets forth a summary of the major laws and regulations applicable to our business in Hong Kong.

Consumer Goods Safety Ordinance

There are several pieces of legislation dealing with product safety requirements, the most common one being the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (the “**CGS Ordinance**”). Under the CGS Ordinance, all consumer goods (except those listed in the Schedule of the CGS Ordinance) must comply with the general safety requirements or the safety standards and specifications prescribed by the Secretary for Commerce and Economic Development of Hong Kong.

The CGS Ordinance imposes a statutory duty on manufacturers, importers and suppliers to ensure that the consumer goods they supply are reasonably safe, having regard to all the circumstances, including (a) the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed; (b) the use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods; (c) reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to consumer goods of that description; and (d) the existence of any reasonable means to make the consumer goods safer. The CGS Ordinance also provides a due diligence defence.

INDUSTRY AND REGULATORY OVERVIEW

Any person who sells unsafe goods commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of one year on first conviction, and HK\$500,000 and two-year imprisonment on subsequent conviction. Those unsafe goods may be seized by the Customs and Excise Department and other authorised officers.

Contractual Obligations and the Sale of Goods Ordinance

In Hong Kong, contracts for the sale of goods are governed by, among others, the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and that ordinance governs the meaning of certain implied terms or conditions and warranties. The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both of these statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) deals with mis-description of goods in general and it is to ensure the seller, in the course of business, give an accurate description about the goods.

Under that ordinance a trade description includes but not limited to the quantity, method of manufacture, production, processing or reconditioning, composition, fitness for purpose, place of origin, person by whom manufactured, produced, and processed or reconditioned. Pursuant to that ordinance, origin marking is not mandatory, but where such marking is used, it must be accurate and not misleading. It is an offence under that ordinance if the seller applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied. In addition, any person who imports any goods to which a false trade description is applied commits an offence, unless he could prove that he acted without any intention to defraud, and had no reason to suspect and could not with reasonable diligence have found out that the goods are goods to which a false trade description is applied.

HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our Company was incorporated in Hong Kong with limited liability on 27 June 2012 and became the direct holding company of our Group's various subsidiaries on 21 February 2013.

The brand "Ulferts" has a history of more than 40 years in Hong Kong. Ulferts Far East, the main operating subsidiary of our Group, was established in 1975. There has been various changes to the shareholders of Ulferts Far East and in June 1988 its then holding company, Hong Kong Daily News & Trading Holding Limited (together with its successor, "HKDN"), became listed on the Main Board of the Stock Exchange (stock code: 147). As disclosed in the prospectus of HKDN dated 16 May 1988, Ulferts Far East was established initially to import and sell home furniture manufactured by a Swedish company which used the trade name "Ulferts", then expanded to retail of furniture imported from other countries and then to wholesale under "Ulfenbo" brand.

On 9 May 1992, Golden Mountain Limited, a subsidiary of Bo Shing Holdings Limited ("Bo Shing") (which was renamed as Emperor (China Concept) Investments Limited on 30 December 1992 and now known as Emperor Entertainment Hotel Limited) which in turn was a subsidiary of Emperor International, entered into a sale and purchase agreement to acquire from the then controlling shareholders of Lolliman in aggregate approximately 16.9% of the issued share capital of Lolliman Holdings Limited ("Lolliman") at an aggregate consideration of HK\$102,500,000. As disclosed in the 1992 annual report of Lolliman, Lolliman was then holding a 33.2% interest, representing the largest single shareholding, in HKDN which in turn held 100% interests in Ulferts Far East and True Fair as well as a property portfolio in Hong Kong and a 45% interest in an operation principally engaged in the manufacture of sportswear apparel for international brand names and department stores and chain stores throughout Europe. Upon completion of the acquisition, Emperor International, through Bo Shing as well as the 32% interests in Lolliman it held at that time, became interested in an aggregate of 49% interests in Lolliman. Lolliman, Bo Shing and Emperor International were all public companies listed in Hong Kong at the material time.

In August 1993, Bo Shing and Emperor International disposed of all their interest in Lolliman (renamed as Poly Investments Holdings Limited at that time) but Emperor International acquired a 33.2% interest in HKDN through Bo Shing. In November 1994, Bo Shing increased its shareholding in HKDN to 60.6%, thereby making Ulferts Far East and True Fair indirect subsidiaries of Emperor International.

In February 1998, HKDN sold its entire interests in Ulferts Investment, which was then the beneficial owner of the entire interests in Ulferts Far East and True Fair, to Emperor International. Ulferts Far East and True Fair then became wholly-owned subsidiaries of Emperor International.

Our Group became wholly owned by the AY Discretionary Trust on 30 March 2006 upon completion of a sale and purchase agreement entered into in September 2005 between Joybridge Services Limited, a wholly-owned subsidiary of Emperor International, and Emperor Assets (then known as Gain Wealth Investments Limited), a company indirectly owned by the AY Discretionary Trust at the time. Pursuant to this agreement, Joybridge Services Limited agreed to sell to Emperor Assets its interests in Profit Noble Holdings Limited which was then the holding company of Ulferts Investment and owned several

HISTORY AND CORPORATE STRUCTURE

businesses, including our Group, at the aggregate consideration of approximately HK\$106.3 million, representing the then consolidated net asset value of Profit Noble Holdings Limited and its subsidiaries and the book value of all shareholder's loans owing by Profit Noble Holdings Limited to Joybridge Services Limited.

On 27 June 2012, the Company was incorporated in Hong Kong and one subscriber share was allotted and issued fully paid to Ulferts Holdings.

On 21 February 2013, pursuant to an internal reorganisation, the Company acquired the entire issued share capital of Ulferts Investment from Emperor Assets at a consideration of HK\$6,065,275.58 which was based on the net assets value of Ulferts Investment as shown in its unaudited management accounts as at 31 January 2013 and settled by Ulferts Holdings in return for the Company allotting and issuing, credited as fully paid, 99 Shares to Ulferts Holdings.

BUSINESS AND SUBSIDIARIES ACQUIRED DURING TRACK RECORD PERIOD

On 24 July 2014, Eurodecor (then known as Super Nation Limited), a wholly owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement ("**Eurodecor Acquisition Agreement**") with Eurodecor Furniture (Hong Kong) Limited ("**Vendor**") as vendor, Wong Sek Yuen Peter as the vendor guarantor and Ulferts Far East as the purchaser guarantor whereby the Vendor agreed to sell to Eurodecor the business of sale of furniture and accessories carried on by the Vendor under the trade name "Eurodecor雅豪" ("**Eurodecor Business**") as a going concern, at the consideration calculated based on the agreed value of the stock less certain agreed expenses. The consideration paid by Eurodecor amounted to HK\$2,093,253.

In order to take up, through the acquisition of Eurodecor Holdings, the tenancy of the premises in which the Eurodecor Business has been operating, i.e. the same premises as our "Eurodecor" shop now, Eurodecor also entered into a sale and purchase agreement dated 29 August 2014 ("**Eurodecor Tenant Acquisition Agreement**") with Super Active Profits Limited and Tonezone Development Limited as vendors and Wong Sek Yuen Peter as vendor guarantor for the entire issued share capital of and the shareholder's loan due to Super Active Profits Limited by Eurodecor Holdings at the aggregate consideration of HK\$660,000, being the shareholders' equity of Eurodecor Holdings.

Both the Eurodecor Acquisition Agreement and Eurodecor Tenant Acquisition Agreement have been completed on 2 September 2014.

On 7 August 2015, Ulferts Investment acquired 2 shares in Glory Wish (being all the issued shares of Glory Wish) from Emperor Watch & Jewellery (HK & Macau) Holdings Limited, a wholly-owned subsidiary of Emperor W&J, and all shareholders' loans due by it in the sum of HK\$35,238 at the aggregate consideration of HK\$1,500. At the time of its acquisition by Ulferts Investment, Glory Wish has no business or activity and was acquired by our Group as the vehicle for holding the tenancy for a retail store.

On 9 September 2015, Ulferts Investment acquired a ready-made shelf company, Rich Ascent, from a secretarial service provider as the vehicle to hold the tenancy for a retail store.

HISTORY AND CORPORATE STRUCTURE

MILESTONES

The following set out various milestones of the evolution of our Group into the present operation.

Year	Milestone
1975	Establishment of Ulferts Far East, the main operating subsidiary of our Group, as a single brand furniture retailer
1980	Diversified into multi-brand furniture retailer
1982	Registration of “Ulfenbo” trade mark in Hong Kong
1986	Acquired wholesale operation
1990	Registration of “Ulferts” trade mark in Hong Kong
2003	Set up Special Projects division for custom-made projects for corporate customers
Mid 2014	Commenced retail of “Ulfenbo” products through Dormire specialty stores and roadshows
Aug 2014	Established visual merchandising department
Sep 2014	Acquisition of “Eurodecor” business
Apr 2015	Established dedicated training team
Dec 2015	Launching of “Ulfenbo” product line for pillow and bedding accessories
4th quarter 2016	Launching of online sales channel on “Ulfenbo” website and HKTV Mall
1st quarter 2017	Launching of online sales channel on “Ulferts” website

Reorganisation

By a written resolution of our sole Shareholder, Ulferts Holdings, dated 3 July 2017, the Share Subdivision was approved and each of the 100 Shares then in issue became subdivided into 6,000,000 new Shares pursuant to section 170(2)(e) of the Companies Ordinance.

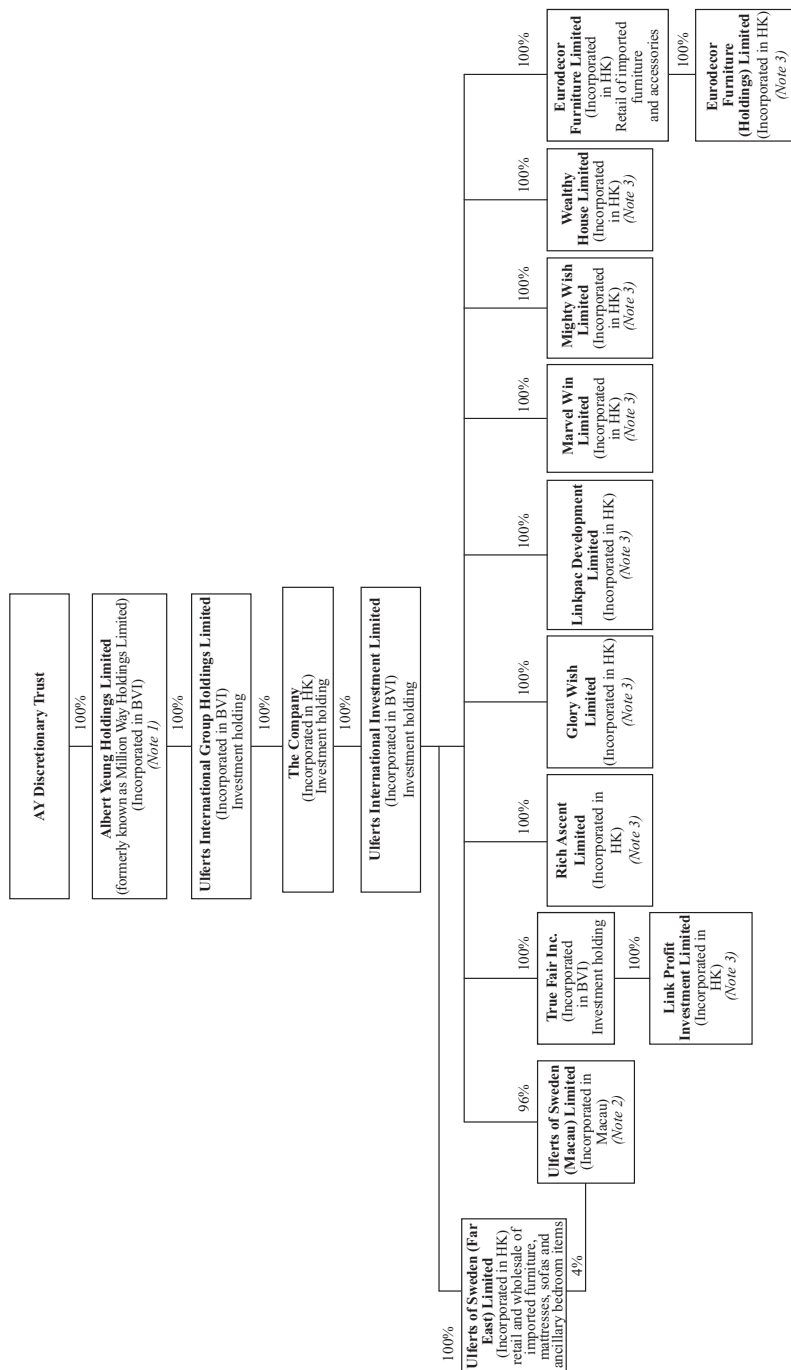
Immediately following the Share Subdivision, the total number of issued Shares became 600,000,000 Shares, all of which are held by Ulferts Holdings.

On 8 January 2018, our Company was converted to a public company with limited liability by a written resolution of our sole Shareholder, Ulferts Holdings, dated 8 January 2018.

The corporate and shareholding structure of our Group as at the Latest Practicable Date and immediately after completion of the Share Offer are set out below.

CORPORATE STRUCTURE

The following chart sets forth the corporate and shareholding structure of our Group as at the Latest Practicable Date:



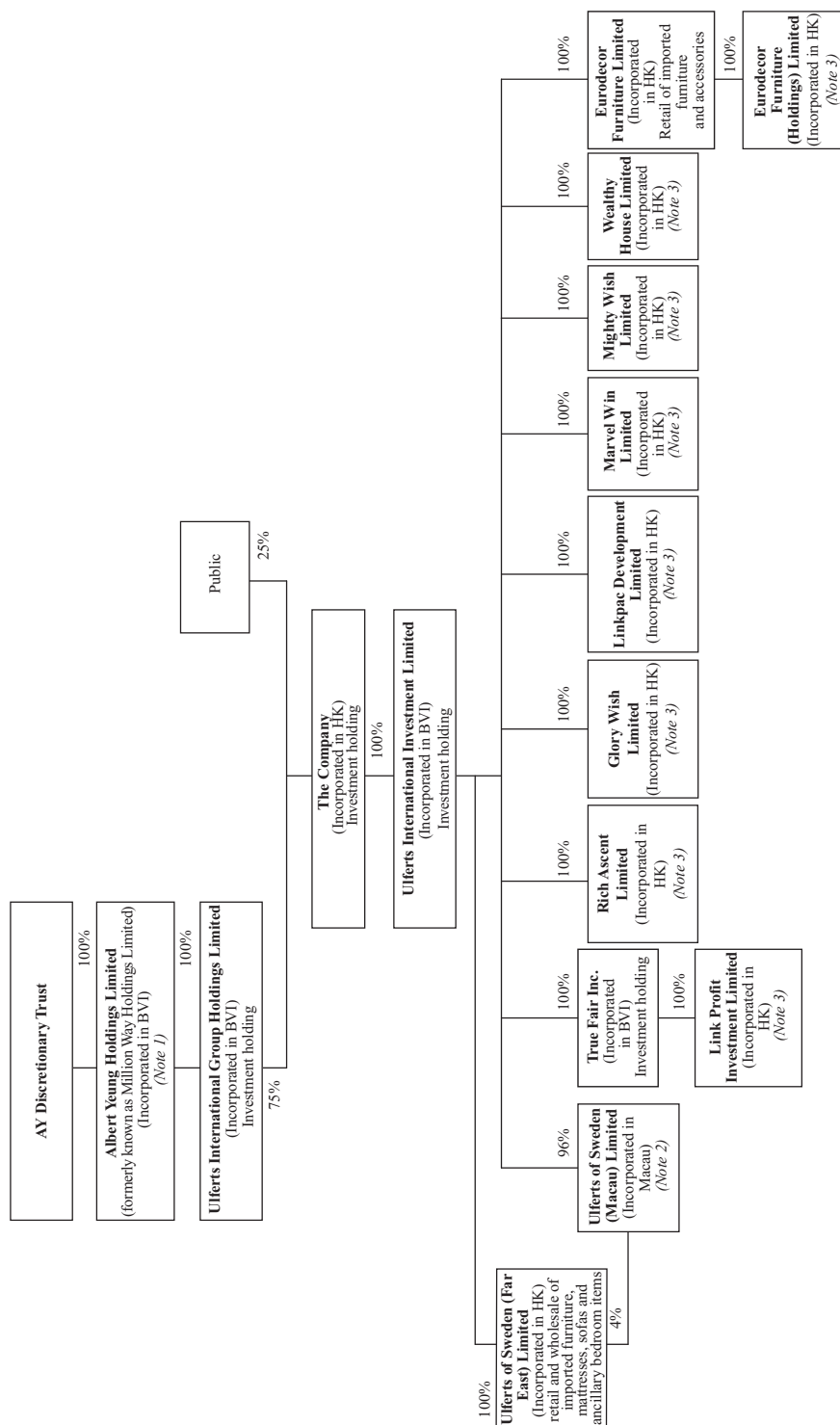
Note 1: Albert Yeung Holdings Limited is held by STC International as trustee of the AY Discretionary Trust.

Note 2: Ulferts of Sweden (Macau) Limited is inactive.

Note 3: These companies are the tenant under the various tenancy agreements for properties leased by our Group.

HISTORY AND CORPORATE STRUCTURE

The following chart sets forth the corporate and shareholding structure of our Group immediately after completion of the Share Offer:



Note 1: Albert Yeung Holdings Limited is held by STC International as trustee of the AY Discretionary Trust.

Note 2: Ulferts of Sweden (Macau) Limited is inactive.

Note 3: These companies are the tenant under the various tenancy agreements for properties leased by our Group.

BUSINESS

OVERVIEW

Our Group is principally engaged in retailing of furniture in Hong Kong under the trade name “Ulferts”. We have a history of more than 40 years and are one of the domestically well-known retailers of modern contemporary style furniture targeting the middle to high income customers group. As at the Latest Practicable Date, we have 6 stores in Hong Kong under the name “Ulferts”. In September 2014, we acquired the furniture retail business under the name “Eurodecor”, which has one shop focused on retail of Italian custom-made quality furniture.

We also have our self-owned brand of “Ulfenbo” products, including mattresses and then of sofas, sofabeds, adjustable beds and other ancillary items like pillows, mattress toppers and mattress protectors. For more than 25 years the “Ulfenbo” mattresses and then sofas have been mainly sold through a wide network of dealers in Hong Kong under our wholesale arm. Since May 2014 we also retail them in our “Dormire” stores, in department store counters and roadshows we held from time to time.

In addition to and as a complementary business to our retail and wholesale business, we have a special projects division which takes on furniture related projects primarily for corporate customers. Services include design, procurement and installation of customised furniture, fitting out and furniture package of show flats for property developers and supply of furniture and mattresses for hotels, as well as consultancy and liaison services for furniture manufacturers in the PRC. We call this line of business “Special Projects”.

The following table sets forth the revenue attributable to each of the retail, wholesale and Special Projects business of our Group:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Retail	159,703	88.1	190,475	90.7	207,859	92.6	73,656	93.3	85,231	91.8
Wholesale	14,586	8.0	13,750	6.5	13,138	5.9	5,061	6.4	5,115	5.5
Special Projects	7,058	3.9	5,845	2.8	3,334	1.5	257	0.3	2,504	2.7
Total	<u>181,347</u>	<u>100.0</u>	<u>210,070</u>	<u>100.0</u>	<u>224,331</u>	<u>100.0</u>	<u>78,974</u>	<u>100.0</u>	<u>92,850</u>	<u>100.0</u>

We source a wide variety of furniture from Europe and Asia (including the PRC), taking into account the trend in furniture and interior design and focus on our sales strengths. We believe that the key competitive strengths which distinguish ourselves are our long operating history with strong brand recognition and our experienced management team with in-depth knowledge of the furniture retail industry. We have a strong purchasing team which helps source stylish and quality products, a trained sales team to generate sales and an attentive customer service and technical team, supported by staff from other teams as appropriate, to provide after sales service to our customers. We believe that our strengths have made us one of the established furniture retailers in our target segments in Hong Kong.

OUR COMPETITIVE STRENGTHS

We believe our success and the potentials for future growth are attributable to our competitive strengths which include the following:

Long history of operation and brand recognition

Our Group has been a retailer of contemporary style imported furniture in Hong Kong for over 40 years. Our business objective is to supply high quality, stylish, affordable luxury furniture for our customers to build their ideal and inspirational home. With our long history in the furniture retail industry in Hong Kong, we understand the needs and preferences of customers in Hong Kong, both families and individuals, in their choice of furniture for homes. We have been continuously offering our customers high quality products and service and have developed a strong brand reputation for selling high quality furniture. In recognition of our strong reputation in the industry, our “Ulferts” brand was awarded “Superbrands” by Superbrands Hong Kong as early as 2002-2003 and the Market Leadership Award in Furniture Retail by the Hong Kong Institute of Marketing in 2016. Together with our marketing strategies in local television commercials, newspapers, magazines, social media and other ad hoc promotional and customer relationship activities such as wine tasting and painting exhibition, which aim at building a high class, stylish and leisurely image for the “Ulferts” brand, we have created a strong awareness of the “Ulferts” brand in Hong Kong. We believe that our long history of operation and strong brand recognition in Hong Kong are valuable assets of our Group.

A diversified portfolio of products and full range of services to meet customers’ needs

We offer a wide variety of furniture products, including sofas and other furniture items such as cabinets, dining tables and chairs, wardrobes, coffee tables and sideboards which we source from different suppliers mainly from Europe and some from Asia (including the PRC). Other than the high end contemporary style furniture targeted at the middle to high income group sold in our “Ulferts” stores and “Eurodecor” shop, we also have mattresses, sofas, sofabeds, adjustable beds and ancillary bedroom products such as pillows, mattress toppers and mattress protectors under our own “Ulfenbo” brand. In addition, the “Ulferts” stores have been continuously expanding its product portfolio to include accessories such as paintings, carpets and other decorative items. We believe that the wide variety of products in different styles and price range offered by our Group will enable us to enlarge our customer base and expand our market share.

Strategic location of retail stores

As at the Latest Practicable Date, our “Ulferts” stores are strategically situated in Kowloon Bay, Shatin, Tin Hau, Whampoa, Yuen Long and Kornhill. These stores are all conveniently located in mature markets of our target customer base of the mid to high income group. Some of them are situated in upscale or major shopping malls with high customer traffic, while our “Eurodecor” shop is located in Happy Valley, the area known for concentration of high-end furniture shops.

Ability to enhance customers shopping experience

We believe that providing patrons of our retail stores with a pleasurable shopping experience enhances our sales. The expansive space of our “Ulferts” stores enables us to display a wide spectrum of products, and customers can benefit from being able to see the actual furniture, feeling its texture and colour tone and, for sofas and chairs, trying them out, which we believe is critical to a customer’s purchase decision. The ambience, setting and placement of the furniture in our “Ulferts” stores have all been tailor-designed by a dedicated display team for harmonious, home-like comfort to enhance our customers’ shopping experience and provide them with inspiration for furnishing their homes. Our salespersons in the stores are trained in product knowledge as well as sales skill and can offer customers advice on their purchasing needs. Our efforts have received public recognition in the 2015, 2016 and 2017 Service and Courtesy Awards organised by the Hong Kong Retail Management Association. The service and courtesy awards we and our staff received are set out in the sub-section headed “Awards and Recognitions” in this section of this prospectus.

Flexibility in sourcing from different suppliers

The furniture products offered by our Group were imported from Europe and Asia (including the PRC) from different suppliers. During the Track Record Period, over 50 brands were offered for sale in our retail stores. Our procurement team attends regularly various major international furniture trade exhibitions to source supplies, look for potential new furniture suppliers and catch up with the latest information in the industry and market trends. To avoid over-reliance on any particular supplier and to maintain flexibility in the choice of products, we are not bound by any exclusive distribution or long term agreement with any suppliers. We believe such approach enables us to introduce a wide spectrum of products with different designs and styles to the market to cater for different customer preferences so as to maintain our competitiveness.

Long term relationship with various furniture suppliers

Although we have not entered into any long term agreement with any of our suppliers, with over 40 years’ history in the furniture retail industry, we have built up a long standing relationship with a group of reliable brands, such as Domicil, Himolla, Gamma, Kristalia and Nicolettihome, which are recognised for their high-quality and stylish design of furniture and many of whom we have established business relationship for not less than 10 years.

As for products under our “Ulfenbo” brand, we have outsourced the production process to manufacturers in the PRC, Taiwan, Vietnam and Malaysia. Although we have not entered into any long term agreement with any of these suppliers, the majority of them have been our suppliers of “Ulfenbo” products for more than five years and some of them over 10 years.

The long standing relationship with suppliers enable us to offer a reliable supply and maintain a steady and consistent quality standard for our products.

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Stock availability and timely delivery

In addition to having retail stores with expansive space which enabled us to put up a wide spectrum of products for display, we also have a sizeable warehouse in Hong Kong which allowed us to stock up on the products on offer and customers will be able to receive delivery of the products within a short time of their purchase. We believe that such convenience, as opposed to retailers which could only take indent orders for the majority of their European imported furniture with delivery time of up to four to six months, greatly enhances our sales.

An experienced and committed management team

We have a strong management team that possesses extensive management skills, operating experience and solid industry knowledge and expertise. For example, Mr. Ricky Ng, our chief executive officer and one of our Directors, has over 20 years of retail management experience, Ms. Ivy Mok has been our chief operating officer for six years and before that she has over 10 years of experience in corporate management and business experience in various industries, and Mr. Tam Kim Ching, Joseph, our sales director and head of our procurement department, has over 33 years' experience with us. The average length of service of our senior management and supervisory staff with our Group amounted to over 10 years. We benefit from the extensive network of contacts in furniture industry maintained by our senior management, which has enabled us to understand the market trends and develop strong business relationship with our key suppliers. They also collaborate closely with the operation teams in executing our Group's business plans. We believe that the commitment of our management team has been one of the key factors to our success and a competitive edge in our continuing expansion.

OUR BUSINESS STRATEGIES

With the growing number of residential units and new residential developments in Hong Kong, and consumers who are increasingly conscious of quality and status, we believe there will be growing demand for quality furniture in Hong Kong. Our goal is to consolidate our market position in the furniture retail business in Hong Kong and strengthen our competitiveness to strive for sustainable growth. To achieve this, we aim to focus on the following strategies:

(1) Expand mid-range customer segment by launching of the new concept under “@Home” brand or new brand retail stores

While “Ulferts” and “Eurodecor” shops target mainly at the more mature furniture buyers at the middle to upper income segment and “Ulfenbo” products are mainly focused on mattress and bedroom related products, we believe there is a demand for small and compact furniture by new families. According to the Euromonitor Report, in the forecast period from 2017 to 2021, one of the key drivers for sales growth would be the shrinking of living space, and that this in turn encourages consumers to turn to compact yet multi-purpose furniture or custom-made furniture. Government statistics also shows a gradual growth in median monthly income for domestic households and the number of mid-range domestic households in Hong Kong. For details, please refer to the sub-section

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headed “Sales of Home Furnishings in Hong Kong” under the section headed “Industry and Regulatory Overview” of this prospectus. The Group therefore intends to diversify into furniture more catered to apartments which are below 500 square feet to capture such market opportunity.

We have explored the concept by opening a shop-in-shop area in the Cyberport “Ulferts” store, under the name “@Home”, and have been looking for suitable leasing space for opening stores for this concept. “@Home” was the brand for retail stores we have in the past for retailing furniture targeting the younger generation and smaller homes, the last one of which closed in 2012 on expiration of the tenancy. The previous “@Home” operation then ceased due to difficulty in locating suitable premises at that time and was shelved when the last chief executive officer retired. Historical sales volume of the last “@Home” retail store contributed only less than 4.4% of our Group’s sales volume for the financial year ended 31 March 2012. Past performance of the last “@Home” store would not therefore be indication of the future performance of the new “@Home” or new brand stores.

For this proposed expansion into the mid-range customer segment, our management will consider whether to open the retail stores under the “@Home” label or a new brand. In determining whether it will be launching the new concept under the “@Home” brand or a new brand, we will take into consideration the brand awareness for “@Home”, its goodwill, the extent customers’ perception of the brand matches with the mid-segment concept, as well as the expenditure and efforts involved in promoting the “@Home” brand versus a new brand.

The target customers of the “@Home” or new brand stores are newly married couples and young families but still of the middle income group. The products will be mostly fabric 2-seater sofas, dining tables and chairs and sitting room furniture, with limited bedroom furniture, to be imported mainly from Asia (including PRC) with some to be imported from Europe too. We still aim to provide high quality, although more simplicity and functional, furniture in these stores, which will be furnished in a trendy and stylish way. These new stores will also carry more home accessories products such as photo frames, artificial plants, vases and small ornaments etc.. We will also extend our professional delivery services and comprehensive and timely after sales-services to customers of these new stores.

Due to the smaller sizes, materials used and place of origin of those products, the price range and costs will be lower than those products sold in “Ulferts” stores. The cost structure will also be essentially similar to that for “Ulferts” sales given that we also intend to operate the “@Home” or new brand stores in the form of chain stores in major shopping malls. The store size will be around 2,500 to 3,000 square feet with not more than 5 sales staff each. The operating scale of these stores will therefore be relatively smaller than the “Ulferts” store in terms of lower cost of purchase, rental and staff.

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The following table sets forth the expected price ranges and costs of sales of the major products that we are planning to sell in the “@Home” or new brand stores:

Types of products	Expected price range		Expected cost of sales	
	Lowest <i>HK\$</i>	Highest <i>HK\$</i>	Lowest <i>HK\$</i>	Highest <i>HK\$</i>
Furniture				
Sofa	4,250	15,000	1,700	6,000
Dining table and chair	1,000	3,750	400	1,500
Coffee table	1,000	2,500	400	1,000
Home accessories				
Tableware, lamp, vase, planting and other accessories	250	6,500	100	2,000

We have been able to achieve a gross profit margin comparable to the “Ulferts” stores for the Cyberport “@Home” shop-in-shop. Our Directors believe that we will be able to maintain a similar gross profit margin for the new “@Home” or new brand retail stores.

Since the “@Home” or new brand stores are differentiated from the “Ulferts” stores in terms of target segment, products and price positioning, the Directors believe that there will be no cannibalization between the “Ulferts” store and the “@Home” or new brand stores.

Although the furniture retailing industry in Hong Kong is fragmented and unstructured, and highly competitive with numerous players of various business scales, including large scale chain stores, we believe we would be able to leverage on the “Ulferts” reputation and our experienced and committed management team and gain a foothold in this segment and compete effectively with the competitors.

We plan to open at least three such stores of around 2,500 to 3,000 square feet each in the 24 months following the Latest Practicable Date, with the first store to be opened in the second quarter of 2018, the second store in the fourth quarter of 2018 and the third store in the third quarter of 2019. It is currently planned that one store will be located in Kowloon and one in the New Territories and the location for the third one will be decided after the first two come into operation. These stores are targeted to be opened in middle range and large scale regional malls with new property developments in the area. Approximately HK\$30.0 million of the net proceeds from the Share Offer is intended to be used for paying the related capital expenditure, rental deposit and miscellaneous expense, which is planned to be spent between March 2018 and May 2019, among which approximately HK\$1.5 million and HK\$5.4 million are expected to be capitalised for the year ending 31 March 2018 and 2019 respectively, and the relevant additional depreciation charge of approximately HK\$nil and HK\$1.6 million are expected to be incurred for the year ending 31 March 2018 and 2019 respectively. The expected breakeven period (refers to the time required for the retail store’s accumulated revenue to equal to its accumulated direct expenses (excluding depreciation)) (“**Breakeven Period**”) for each of these stores ranges from six to eight months. The expected payback period (refers to the time required for the retail store’s accumulated revenue to cover its accumulated direct expenses (excluding depreciation)) as

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well as its capital expenditure) (“**Payback Period**”) for each of these stores ranges from 13 to 18 months, which is estimated after taking into account the estimated capital expenditure for each stores of approximately HK\$3,000,000 and the operating profit to be generated after considering i) the planned gross profit margin of 66% and ii) estimated operating expenses of the stores including rental and staff cost with reference to the size and location of the stores. As at the Latest Practicable Date, there is no capital or rental commitments in relation to the opening of such stores.

(2) Enhancement of Ulfenbo sales channels and brand awareness

As disclosed in the section headed “Financial Information – Retail” of this prospectus, our revenue derived from retail sales of “Ulfenbo” products in the “Dormire” stores has experienced an upward trend which doubled from approximately HK\$1.0 million for the year ended 31 March 2015 to approximately HK\$2.0 million for the year ended 31 March 2016 and further increased to approximately HK\$3.9 million for the year ended 31 March 2017. We therefore plan to open three to five additional “Dormire” specialty stores of between 500 to 1,000 square feet each or department store counters of between 150 to 250 square feet each for selling “Ulfenbo” products to raise brand awareness and market share for “Ulfenbo” products. Possible locations include areas such as Tuen Mun, Yuen Long and Ma On Shan. As disclosed in the paragraph headed “Retail Stores” in this section below, selection criteria for these stores are based on factors such as population density, customer traffic and transport convenience. We plan to have two stores opened in the second and third quarters of 2019 and the rest in the following 18 months. The estimated capital expenditure, Breakeven Period and Payback Period of the first two stores are approximately HK\$500,000, 14 months and 26 months respectively. The amount of capital expenditure and payback period of the other new stores can only be assessed when the planned opening time has been ascertained. We also plan to undertake brand building campaigns for “Ulfenbo” products and “Dormire” stores. In total, approximately HK\$9.0 million of the net proceeds from the Share Offer is intended to be used for paying such expenses, which is planned to be spent within the next two financial years. As at the Latest Practicable Date, there is no capital or rental commitments in relation to the opening of such “Dormire” stores.

(3) Upgrade our Group’s information technology system

We plan to upgrade our Group’s information technology system, including the existing ERP and CRM systems, and enhance our accounting system to interface with the ERP system for more efficient financial reporting and analysis, as well as to facilitate cultivation of customer loyalty and thus strengthen our customer base. Approximately HK\$5.0 million of the net proceeds from the Share Offer is intended to be used for paying such expenses, which is planned to be spent before 31 March 2020. As at the Latest Practicable Date, there is no commitment in relation to such upgrade.

(4) Exploring expansion opportunities

We are continuously exploring market potentials and may open one more “Ulferts” store to further strengthen the presence of the retail chain. We will also explore opportunities for acquiring businesses which have synergy effect with the existing business of our Group, such as business operations focusing on home accessories, tailor-made

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furniture and kid's furniture. The selection criteria for potential target include business operations with product offering, sales channels or target customer segments complementary to our business operations or which can enhance our operation efficiency.

We plan to deploy approximately HK\$8.0 million of the net proceeds from the Share Offer for such purpose should suitable opportunities arise. As at the Latest Practicable Date, there is no concrete plan for the opening of such new store and no acquisition target has been identified yet.

(5) Reinforce our brand recognition by marketing promotion

We will continue to reinforce our brand recognition by conducting marketing and promotional activities to enhance our brand image and promote our products. In addition to in-store marketing and promotion events, we intend to continue promoting our brands and products through various media such as newspapers, magazines, television, outdoor advertising media, social media and website on regular basis. We also plan to undertake sponsorship of events from time to time when suitable ones arise and hold promotion events and invite artistes as guests and may be brand representatives. These marketing and promotion activities will strengthen awareness of our products and fortify recognition of our brands, thereby enabling us to capture the potential target customer groups and increase our overall market share.

(6) Continue to retain and recruit talents in the industry

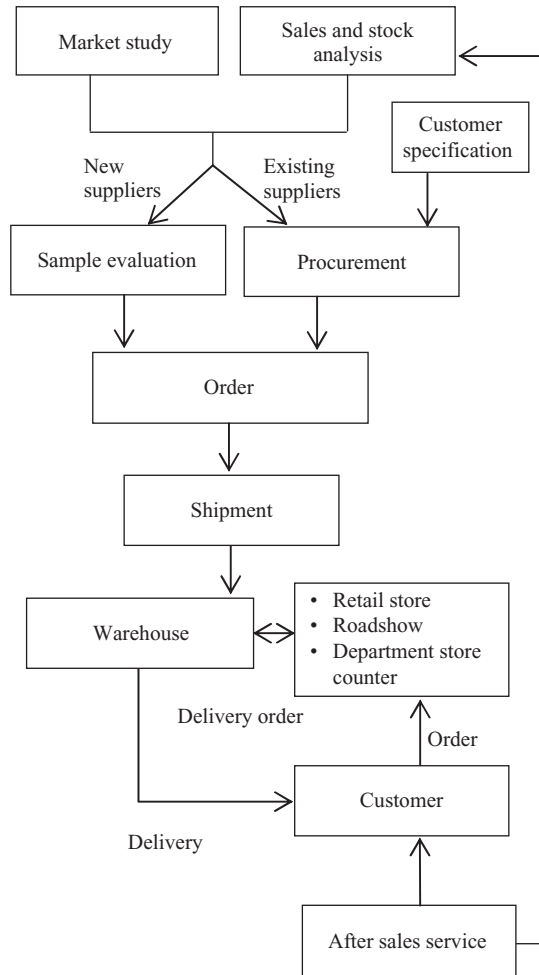
In order to enhance our competitiveness and ability to respond quickly to market changes, we intend to recruit and retain talented employees across all aspects of our business. We expect to recruit at least one experienced salesperson with at least 5 years' relevant experience and 4 junior salespersons for each new "@Home" or new brand store, and one to two salespersons for each new "Dormire" store. Moreover, we plan to continue to provide training to our employees so as to enhance their knowledge in various aspects of our business including sales technique, retail management, customer service, product knowledge and interior design. We believe such training will strengthen our employees' sense of belonging to our Group and maximise their potential talent and our Group will also in turn benefit from their contribution.

BUSINESS

BUSINESS FLOW

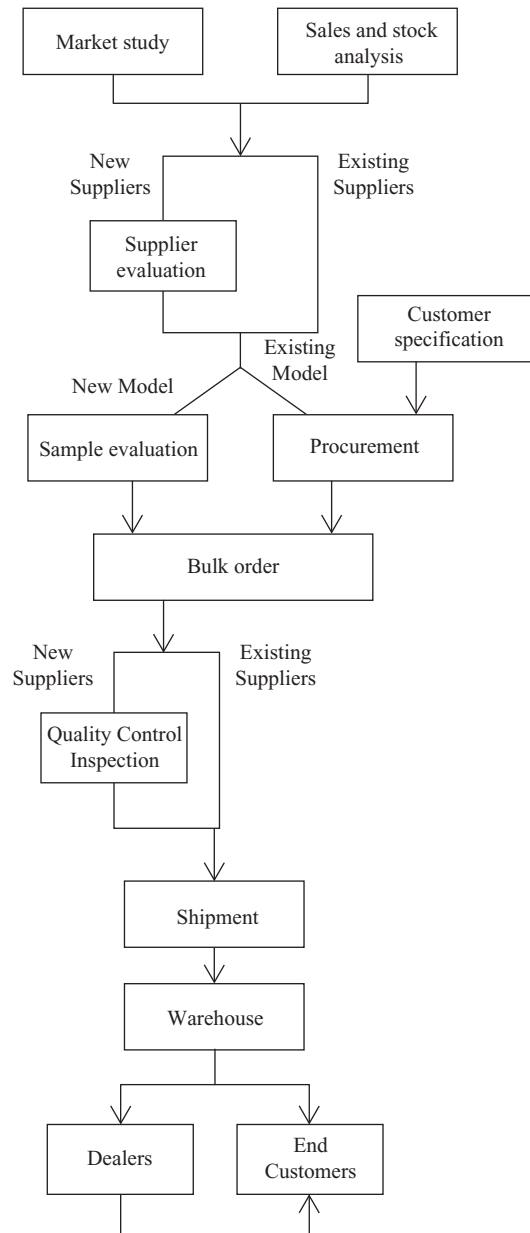
The following diagrams illustrate respectively the general business flow for our major business streams of retail and wholesale:

Retail



BUSINESS

Wholesale



BUSINESS

Procurement

We source products for our retail sales under “Ulferts” and “Eurodecor” from furniture suppliers most of whom are located in Europe. We do not have any manufacturing plant or facilities. Attending various furniture exhibitions and fairs is one of the major means for our understanding of the market trend, maintaining our relationship with existing suppliers, getting to know potential new suppliers, sample evaluation of new product’s designs or workmanship of both existing and new suppliers, and sourcing of product supply. Such market study, together with periodic analysis of our sales and inventory level by our management form the basis for our procurement plans for furniture products. We also place orders for products on ad hoc basis upon customer order for items not in stock or with customer’s specifications.

In relation to the “Ulfenbo” products, we outsource the production process to Independent Third Party manufacturers while we concentrate on their sales and marketing. Similarly, for our Special Projects which involve custom made furniture, we also outsource the manufacturing process to Independent Third Party manufacturers. We will also benefit from such outsourcing by avoiding the potential operations and financial risks associated with manufacturing and capital expenditure on production facilities.

Our long established relationships with our suppliers provide us with a reliable source of furniture supply with assured quality. During the Track Record Period and as at the Latest Practicable Date, we have not experienced any material disputes or litigation or arbitration proceedings, whether pending or threatened, with our suppliers.

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Sales Channels

We mainly sell our products by way of direct sales in our retail stores. As at the Latest Practicable Date, we have 6 retail stores under the “Ulferts” brand and one retail shop under the “Eurodecor” brand for retail of furniture, as well as 7 speciality stores under the name of “Dormire” for retail of “Ulfenbo” products.



BUSINESS

During the Track Record Period, we also have counters at department stores and held roadshow sales for “Ulfenbo” products from time to time at various department stores and shopping malls. Many “Ulfenbo” products are also sold through a distribution network comprising, throughout the financial years ended 31 March 2015, 2016 and 2017, about 250 dealers one of whom is in Macau and all others in Hong Kong. Most of these dealers are furniture shops or companies which provide furniture and/or furnishing design services.

In the last quarter of 2016 we commenced on-line sales through our own “Ulfenbo” website and through HKTV mall, and in the first quarter of 2017 we launched on-line shopping in our “Ulferts” website too.

For our Special Projects business, we have a business development team which is responsible on the one hand for liaising with suppliers on product design, specifications and quotations and on the other hand for preparing and finalising quotations to customers or tenders.

Marketing

Other than visual merchandising of the products by displaying at our retail stores, we conduct extensive marketing and promotional activities, including in-store displays, social media engagements, engaging the local mass media through advertisements on television and in newspapers and magazines, outdoor billboards and signages, sponsoring of various social community events and hosting of customer relationship activities and public relation events.

We carried out periodic discounts such as seasonal sale, annual sale and stock clearance sale, as well as joint promotions with banks and reward programme such as Asia Miles.

For Special Projects, our business development team prepares promotion materials targeting different sectors of corporate customers such as property developers, hotels and food and beverage outlets and public institutions.

Existing Stock Offer and Pre-order

We have warehouse facility in Tuen Mun keeping stock of many of the products for sales fulfilment, thereby reducing the waiting time between purchase by customers and product delivery. For some brands, customers can also place orders for items not in stock. Many of the products offered in our “Eurodecor” shop can also be ordered in different specified configurations, colours or materials which customers can choose according to their preferences and we will place orders with the suppliers after customers confirmed their orders with us.

Delivery

After the products we ordered arrived at the Hong Kong port, we will arrange for their delivery to our warehouse. Our team at the warehouse would stock up the products first and then organise those for delivery to our customers to fulfil orders and to retail stores for display. We have our own delivery team which has 17 full time staff as at the Latest

BUSINESS

Practicable Date. In addition, during the Track Record Period we have entered into service agreement with one logistic service provider whose delivery team is required to wear our Group's uniform when performing the delivery service and we have also engaged two other logistics teams for delivery of "Ulfenbo" products. The combination of our own logistics team and the outsourced teams enable us to deliver products to our customers on a timely basis. Furniture on-site installation services will be provided where applicable by our in-house delivery team. We also offer supplementary services such as collection and disposal of old furniture when delivering the products to our customers.

For "Ulfenbo" products we may also, at the request of our dealer, deliver the products to the end customer directly at our prevailing charges. Products under Special Projects are either delivered to the customers by our delivery team or we may arrange delivery from our suppliers to our corporate customers directly.

After-sales Services

We emphasise quality and efficient after-sales services to our customers as an essential element for maintaining our business reputation. For products sold through "Ulferts" and "Eurodecor" we offer on-site inspection should there be any complaint from customer of products delivered, which will be undertaken free of charge within the first year of delivery. For "Ulfenbo" products, we provide warranties on the coil system, electric motor and metal elastic hinges of mattresses, sofas and adjustable beds, and depending on the product series, varying maintenance services and replacement offerings are offered according to the length of time the product has been purchased at our prevailing service charge.

After the applicable warranty period, we also provide repair services to our customers on special request subject to payment of our prevailing service charge.

OUR BRANDS

"Ulferts"

Our major retail sale of furniture in Hong Kong is marketed under the trade name "Ulferts". Ulferts Far East has been using the name "Ulferts" for marketing products it sourced since 1976. The "Ulferts" brand has been awarded "Superbrands" by Superbrands Hong Kong as early as 2002 and was awarded Market Leadership Award in Furniture Retail by the Hong Kong Institute of Marketing in 2016.

The "Ulferts" brand represents a place where customers can shop for high quality contemporary style imported furniture. To enhance the image of good quality lifestyle and living standard, our interior design for "Ulferts" retail stores aims to impart a stylish and cozy ambience. Our marketing for "Ulferts", such as television, magazine commercials and customer relationship activities like wine tasting and hosting of painting exhibition as part of the Bellissima Italia event, were all targeted at building and reinforcing such image.

The revenue derived from sales from the "Ulferts" stores accounted for approximately 82.7%, 79.4%, 80.9% and 79.1% of the total revenue of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

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We have registered the trademark “Ulferts” with the Trade Marks Registry in Hong Kong since 1990. In addition, by a deed of assignment dated 29 June 1991, Propiedades Costa Del Sol S.A. (“**Assignor**”), a company incorporated in the BVI, assigned the “Ulferts” trademark and trade name, including the goodwill attaching to the trademark and all statutory and common law rights, to True Fair. In the deed of assignment, True Fair warranted to the Assignor that it will not use the trademark or trade name in Sweden, the rest of Europe, the United States of America, Mexico and Canada or on any products in competition with I.E. Ekornes A/S and its Swedish subsidiary Ekornes Tibro AB. Other than the above restrictions, there was no other limitation on the usage nor is there any expiry period or termination clause or other restriction or reservation contained in the said deed of assignment. During the Track Record Period and up to the Latest Practicable Date, we have not received any claims that we have been in breach of any of the above restrictions.

The Assignor is an Independent Third Party who is not connected with our Group, our Controlling Shareholders, our Directors or their respective associates. As such deed of assignment was entered into more than 25 years ago by the previous management and owners of our Group prior to the take-over by Emperor International in 1992, the current management of our Group are unable to trace the circumstances that led to the entering into of this deed.

In any event, our Group has obtained registrations of the “Ulferts” trademark in Hong Kong, Macau and the PRC. Please refer to the section headed “Further information about our business – Intellectual property rights” in Appendix IV to this prospectus for further details of these trademarks. Although the trademarks and logo of “Ulferts” are still being used by another business in the US and Canada, such business is not connected with our Group, and neither do any of our Controlling Shareholders, Directors or their respective associates has or has had interest in such business. We consider that the use of the “Ulferts” trademark and trade name by another business in the US and Canada is unlikely to cause confusion that their business is related to our Group, since our Group has no presence in the US or Canada and our customers are mainly located in Hong Kong.

“Ulfenbo” and “Dormire”

We established the “Ulfenbo” brand for over 30 years. It is our products brand for mattresses, sofas, sofabeds and adjustable beds and also ancillary bedroom items such as pillows, mattress toppers and mattress protectors, the manufacturing of which we outsource to Independent Third Party manufacturers according to our specifications. The “Ulfenbo” brand has been awarded “Hong Kong Top Brand Mark” under the Hong Kong Top Brand Scheme organised by The Chinese Manufacturers’ Association of Hong Kong and Hong Kong Brand Development Council for 2014 to 2018 consecutively. “Ulfenbo” products focus on the mass market need for quality sleep at affordable prices. Under the “Ulfenbo” brand we sponsored events such as Super Kids Championship and Streetathon, which reached out to different sectors of consumers in Hong Kong.

Since May 2014 we started operating “Dormire” specialty stores for retail of “Ulfenbo” products. The “Dormire” stores are typically compact in size and is designed to create a more casual and relaxing environment.

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During the Track Record Period, the aggregate revenue derived from the retail and wholesale of “Ulfenbo” products accounted for approximately 10.9%, 13.2%, 13.7% and 15.7% of our Group’s total revenue for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

“Eurodecor”

In September 2014 we acquired the furniture retail business in Happy Valley under the name “Eurodecor”. It has a history of over 25 years and focuses on the retail of upmarket custom-made furniture mainly imported from Italy.

During the Track Record Period, the revenue derived from sales from “Eurodecor” accounted for only approximately 1.8%, 3.9%, 3.6% and 2.3% of our Group’s total revenue for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

OUR PRODUCTS

Our products can be broadly divided into three categories: mid to high end retail furniture for sales in the “Ulferts” and “Eurodecor” stores, mattresses, sofas, sofabeds, adjustable beds and ancillary bedroom items under our self-owned label “Ulfenbo” for the mass market, and custom-made furniture for customers on project basis.

Retail Furniture

We principally operate retail stores under our brand “Ulferts”, offering large range of furniture products, from leather sofas, dining tables and chairs, wardrobes and cabinets to beds, which were imported from various furniture suppliers mainly from Europe and some from Asia (including the PRC). It is our existing practice for procurement to obtain certificates of origins for products purchased from our European suppliers.

During the Track Record Period, we were the retailer of over 50 furniture brands under the trade name “Ulferts”, some of which are international brands such as Domicil, Himolla, Gamma, Kristalia and Nicolettihome. Products for sale in “Ulferts” retail stores are very diversified and could be categorised into different collections by functions such as living room collection which included leather sofas, coffee table, console, wall cabinets, TV cabinets and vitrine, dining room collection which included dining tables and chairs and sideboards, bedroom collection which included beds, mattresses, wardrobes, night table, dresser and chest of drawers and study room collection which included desks and shelves. As the “Ulferts” brand is targeted at the middle to high income group consumers, the furniture products selling in “Ulferts” stores emphasise on combining high quality materials and workmanship with stylish designs.

Eurodecor also offers a comprehensive range of furniture either on display in the shop or from catalogs of selected suppliers. It targets high end products mainly imported from Italy.

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During the Track Record Period, sofas contributed the largest portion of our Group's retail sales revenue, which accounted for a range of approximately 59.9% to 63.0% of the total retail sales revenue of our Group. The following table shows a breakdown of our Group's revenue in retail sales by product categories for the Track Record Period:

	2015		Year ended 31 March				Five months ended 31 August 2017	
	HK\$'000	%	2016 HK\$'000	%	2017 HK\$'000	%	HK\$'000	%
Sofa	98,457	61.7	114,139	59.9	131,038	63.0	53,194	62.4
Other furniture	61,246	38.3	76,336	40.1	76,821	37.0	32,037	37.6
	<u>159,703</u>	<u>100.0</u>	<u>190,475</u>	<u>100.0</u>	<u>207,859</u>	<u>100.0</u>	<u>85,231</u>	<u>100.0</u>

“Ulfenbo” Products

We have launched mattresses under the brand “Ulfenbo” for over 25 years. These mattresses are classified into different series such as the premium series, the health series and the slim series, and as at the Latest Practicable Date offer up to thirteen models in various sizes with varying hardness to meet the different demands in the market. The “Ulfenbo” sofa was first launched in 2008 and then we introduced sofabed and adjustable bed in 2009 and 2014 respectively. We also offer ancillary items such as pillows, mattress protectors and mattress toppers under this brand in 2015 and 2016 respectively. All “Ulfenbo” products are manufactured by our outsourced manufacturers with our designated specifications.

Special Projects

As a complementary business to our furniture retailing business, since 2003 we expanded into Special Projects, providing services from planning, design, procuring custom-made furniture to final installation for corporate customers, as well as consultation and liaison services with furniture manufacturers. We serve customers from consultation, on-site evaluation, design, material sourcing and sampling, procurement to installation and maintenance services. We do not have in-house design team but instead, depending on the engagement, we may subcontract the design work to outsourced designers and other professionals to come up with the design and liaise with our outsourced furniture manufacturers for the production.

Most of our corporate clients require our custom-made furniture service to meet their particular needs. During the Track Record Period, our projects included providing upholstery seats for casinos and retail shops, providing fitting out and furniture package for a property development and its show flat, providing custom-made furniture for a service apartment building and providing mattresses and custom made furniture for hotels.

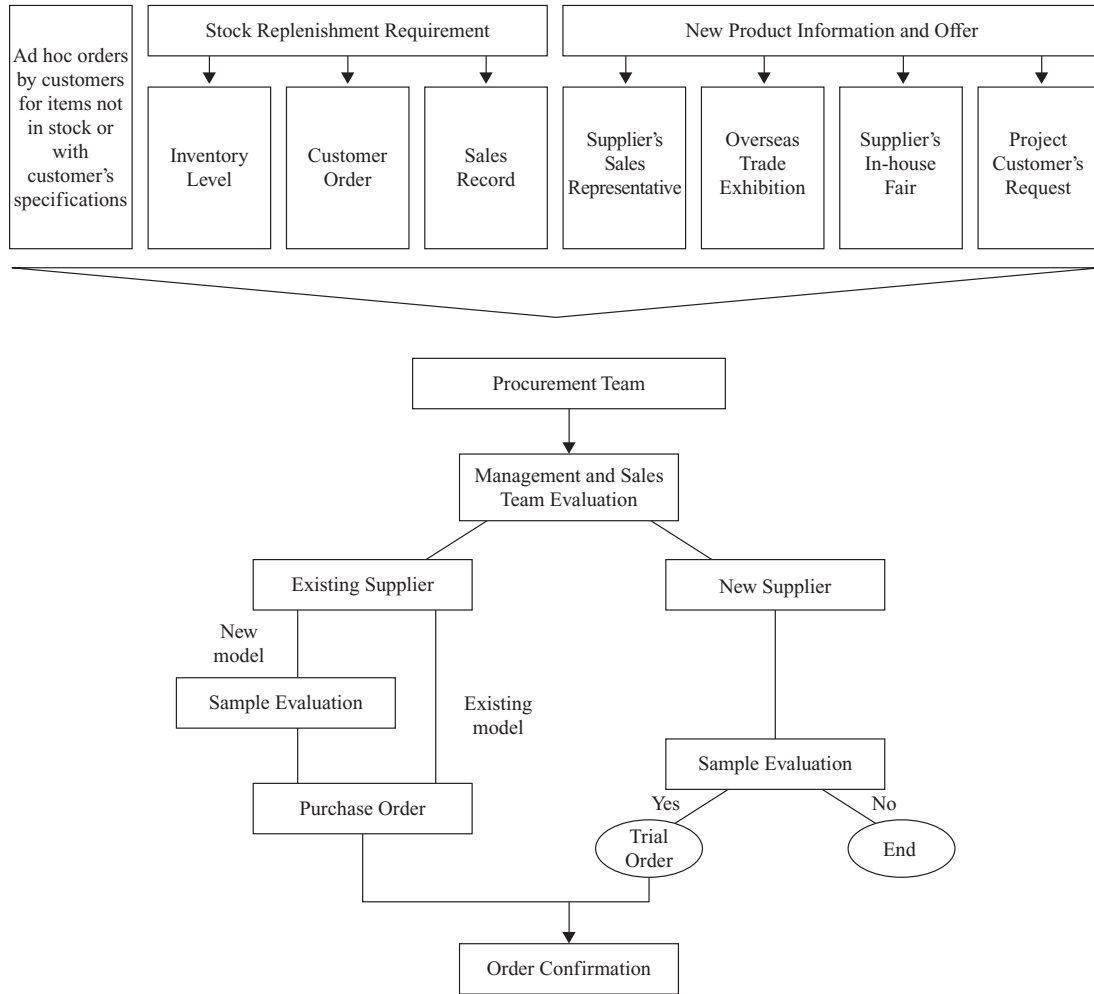
Revenue from Special Projects accounted for only approximately 3.9%, 2.8%, 1.5% and 2.7% of the total revenue of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

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PROCUREMENT

We source our products from different furniture suppliers from Europe and Asia (including the PRC) based on design of the furniture, consumer preferences, market trends and demands anticipated by our management and procurement team, as well as specific customer orders.

Set out below is a flow chart that summarises our procurement process:



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Sourcing at International Furniture Exhibitions and Fairs

Our procurement team attends various international trade exhibitions and fairs regularly and suppliers' in-house fairs on invitation. The table below listed out major international exhibitions and trade fairs which we attended on regular basis:

Name of Trade Exhibitions	Exhibition Venue	Exhibition Period
IMM Cologne	Cologne, Germany	Every January
International Furniture Fair Singapore	Singapore	Every March
Malaysia International Furniture Fair	Kuala Lumpur, Malaysia	Every March
Export Furniture Exhibition Malaysia	Kuala Lumpur, Malaysia	Every March
International Famous Furniture Fair (Dongguan)	Dongguan, China	Every March & August
China International Furniture Fair	Guangzhou and Shanghai, China	Every March & September
Salone Internazionale del Mobile	Milan, Italy	Every April
China International Furniture Expo	Shanghai, China	Every September

During the trips to these trade exhibitions our procurement team will meet up with our existing suppliers, look for potential new suppliers, source furniture products from those on display or the latest catalogues provided by the suppliers, and also collect information on new furniture designs, materials and market trends.

Procurement from Other Sources

Other than suppliers participating in furniture exhibitions and fairs, there are manufacturers who appoint agents or merchandisers to represent them in marketing their products. We may also be introduced to products by these agents and merchandisers from time to time.

Approval and Placing of Purchase Orders for Retail Products

Taking into consideration factors such as product price, anticipated demand, our inventory level, consumer preferences and the budget, our procurement team would select the furniture items to be purchased and prepare a procurement list within the rolling budget set by management on a monthly basis based on inventory level and sales records. Procurement above the rolling budget or single procurement above a prescribed threshold will need to be approved by our chief executive officer. Our ERP system generated stock analysis for the procurement team's review on a regular basis to facilitate replenishment of appropriate stock on a timely basis. Staff of our retail stores would also feedback to the procurement team when they discover from the inventory system that certain stock will soon be out of stock. Sometimes, we may place small amount of purchase orders directly with the furniture suppliers at the exhibitions and trade fairs. In case of procurement from new suppliers, our procurement team will conduct sample evaluation and, if satisfied, followed with trial order. Our orders are placed either direct with the furniture manufacturers

BUSINESS

or a supplier who is a merchandiser managing multiple brands. Where a product is introduced by an agent, the purchase order may also be placed with the relevant manufacturer directly, and our Group is not responsible for any fee or commission to such agent.

Other than bulk purchase, we will also place orders for products on an ad hoc basis when we receive orders from customers for items not in stock or with customer's specifications.

As at the Latest Practicable Date, our Group has around 70 suppliers, among which about 40 were located in Europe and the rest in Asia. For each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the amount of purchase of our Group was approximately Euro4.5 million, Euro5.4 million, Euro6.4 million and Euro3.8 million respectively from suppliers in Europe, representing approximately 60.7%, 66.9%, 69.6% and 75.5% respectively of our total purchases during each of such years and the five months ended 31 August 2017. The amount of purchase of our Group from suppliers in Asia, including the PRC was approximately US\$2.5 million and RMB2.9 million for the financial year ended 31 March 2015, approximately US\$2.0 million and RMB1.1 million for the financial year ended 31 March 2016, approximately US\$2.2 million and RMB2.6 million for the financial year ended 31 March 2017 and approximately US\$0.9 million and RMB2.6 million for the five months ended 31 August 2017, representing approximately 32.6%, 24.2%, 25.8% and 21.6% respectively of our total purchases during each of such years and the five months ended 31 August 2017.

Transport and Insurance Arrangement of Purchase Orders

Generally, we import our products either by way of marine cargo or road cargo in containers. As most of our orders are on ex factory terms or free on board (FOB), the whole voyage of the marine cargoes including that from factory to port of loading, will be covered by our open cover marine insurance. In some cases, suppliers may offer to supply the goods to us on CIF (costs, insurance and freight) terms, in which case the insurance will be handled by our suppliers. In view of the small amount and value of road cargo and the lower risk involved, so far no insurance has been taken out for road cargo.

Outsourced Production of "Ulfenbo" Products

For products under our self-owned label "Ulfenbo", we outsource the production to Independent Third Party manufacturers. We purchase from these suppliers on an order-by-order basis and do not have any exclusive or long-term agreement or outsourcing agreement with them and do not have to pay any outsourcing fee other than the price under the purchase orders. During the Track Record Period, we have engaged over 10 manufacturers in Asia (including the PRC) for the production of "Ulfenbo" mattresses, sofas, adjustable beds, pillows, mattress protectors and mattress toppers.

We prescribe the specifications and use of raw materials. Our Group has long established relationship with most of these manufacturers, including four of whom we have over 10 years relationship, and are confident that their product quality is up to the specified

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standards. We believe outsourcing of production process is a cost-effective strategy that allows us to focus on sales and marketing aspects and lower our operating costs by reducing the cost of equipment, plant and personnel investment.

We usually place orders for mattresses twice every month and for sofas once every month subject to the stock level. Normally, production takes around three to four weeks for mattresses and four to six weeks for sofas from order confirmation to finished products. As for new products such as pillows and mattress protectors and toppers, we usually place orders approximately every 1.5 to 2 months while production takes about four to six weeks. The finished products will then be delivered directly to our warehouse.

Criteria for Selection of Suppliers and Manufacturers

When selecting suppliers and manufacturers for our products, we take into account a number of factors, including for furniture products, their product design, and for all products, their production facilities and whether they have long-standing relationship with our Group built up from the quality of their products and after-sales service. For suppliers and manufacturers of our Special Projects products, our major selection criteria include product quality and pricing and such other criteria as may be required depending on each individual project.

We have not entered into any exclusive or long-term agreement (including outsourcing agreement) with any of our suppliers or manufacturers and instead maintain flexibility by placing individual purchase orders on different suppliers and manufacturers depending on our procurement requirements, which is in line with industry practice.

To the best knowledge of our Directors, our existing suppliers and manufacturers are Independent Third Parties.

Credit Period by Suppliers

Regarding our purchases from suppliers, for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, approximately 22.7%, 22.6%, 18.9% and 17.6%, respectively, of our Group's purchases were settled by way of open credit accounts with settlement terms of upon delivery, approximately 28.1%, 24.5%, 24.1% and 24.0%, respectively, by way of document against payment, with the remainder of approximately 49.2%, 52.9%, 57.0% and 58.4%, respectively, by way of letter of credit.

Currencies in which our Purchases were Paid

For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, approximately 27.5%, 22.2%, 21.9% and 14.9% of our Group's purchases were invoiced in US dollars, approximately 60.7%, 66.9%, 69.6% and 75.5% were invoiced in Euro and approximately 5.1%, 2.0%, 3.9% and 6.7% were invoiced in RMB, respectively.

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Forward Contracts and Hedging Policy

Our Group has purchased eight foreign exchange forward contracts with our principal banks in Hong Kong in the aggregate amount of approximately HK\$5.4 million for the financial year ended 31 March 2015 to hedge against our Group's exposure to Euro of approximately Euro 570,000 for the financial year ended 31 March 2015, representing approximately 12.7% of our purchase in Euro over the same period. Other than these Euro foreign exchange forward contracts, we have not entered into any other foreign exchange forward contract during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, our Group has no foreign exchange forward contracts on hand. For the financial year ended 31 March 2015, our Group only entered into Euro foreign exchange forward contract with banks when there was letter of credit in Euro or documents against payment or letter of credit converted into loan in Euro during procurement, the duration of the contract was determined on a case by case basis depending on the payment date of letter of credit or bank loan. We did not hedge each of letter of credit in Euro or documents against payment or letter of credit converted into loan in Euro during procurement.

Our Group has no formal foreign currency hedging policy or special hedging ratio and has not sought any advice from qualified investment advisers for entering into such foreign exchange forward contracts during the Track Record Period, but we have adopted internal guidelines that (i) any foreign exchange forward contracts to be entered into by our Group must be approved by the chief executive officer of our Group and (ii) the hedge amount and the maximum allowable exposure was the amount of each letter of credit in foreign currency or documents against payment or letter of credit converted into loan in foreign currency and contract or for discharge of our Group's outstanding payment obligation in foreign currency, otherwise each contract with an aggregate value exceeding HK\$500,000 will require the approval of our chairman. We have assigned specified staff to monitor and inform the chief executive officer on the volatility of the currencies rates quoted by banks. When there are letter of credit in Euro or documents against payment or letter of credit converted into loan in Euro, the assigned staff monitored the exchange rate of Euro on daily basis and our management then consider whether or not to enter into foreign exchange forward contract for hedging the said letter of credits or loan positions.

Since February 2015, we no longer hedged against the foreign exchange risk as we considered that such risk could be covered by our flexible pricing policy. As we price our products on a cost-plus basis, we take into account the foreign exchange rate fluctuation as part of the costs of purchase. Management will continue to monitor the movement of foreign currency rates and in the event that foreign exchange fluctuation cannot be adequately covered by the pricing of our products, the Board will review the practice and decide whether hedging would be appropriate to mitigate the foreign exchange risk.

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SALES AND DISTRIBUTION NETWORK

We could generally classify our sales channels into (i) direct sales at retail stores, department store counters and roadshows; (ii) sales through dealers; and (iii) Special Projects for corporate customers.

Retail Stores

Revenue from the “Ulferts” retail stores accounted for approximately 82.7%, 79.4%, 80.9% and 79.1% of our revenue for the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 and the five months ended 31 August 2017, respectively.

We have four “Ulferts” retail stores at the commencement of the Track Record Period, located in Hunghom, Taikooshing, Shatin and Tin Hau respectively. In April 2014, the Taikooshing “Ulferts” retail store was closed as the landlord decided not to renew the tenancy in its revamp of tenants mix for the mall. The Cyberport shop was opened in September 2014 as a disposal outlet and closed in July 2016 upon expiration of the licence. The “Dormire” Shop in Tsimshatsui was closed in September 2015 as we did not reach agreement with landlord in respect of the renewal of the tenancy. We agree to early terminate the tenancy for our Hunghom “Ulferts” store and closed the store in July 2017 as the premises are due for refurbishment.

During the financial year ended 31 March 2016 we opened our Kornhill, Whampoa and Yuen Long “Ulferts” retail stores, whilst our flagship “Ulferts” store in Kowloon Bay has commenced business in early July 2017. The Kornhill store maintained our presence in the Taikooshing area after the closing of the Taikooshing store, and the Whampoa store was opened in the same district as the Hunghom store to prepare for its planned closing. The Yuen Long store was opened as there has been many new residential developments in the area and should have good market potential.

Although the Hunghom store has been in operation for more than 40 years, its contribution to our revenue has gradually decreased from approximately 27.4% for the financial year ended 31 March 2015 to approximately 19.6% for the financial year ended 31 March 2017 with the opening of the Whampoa store, which is also located in the Hunghom district, in October 2015 and which contribution has jumped from approximately 2.7% of our revenue for the financial year ended 31 March 2016 to approximately 7.6% for the financial year ended 31 March 2017. We have expanded our Whampoa “Ulferts” store, which floor area has increased by more than 50% with effect from the end of October 2017.

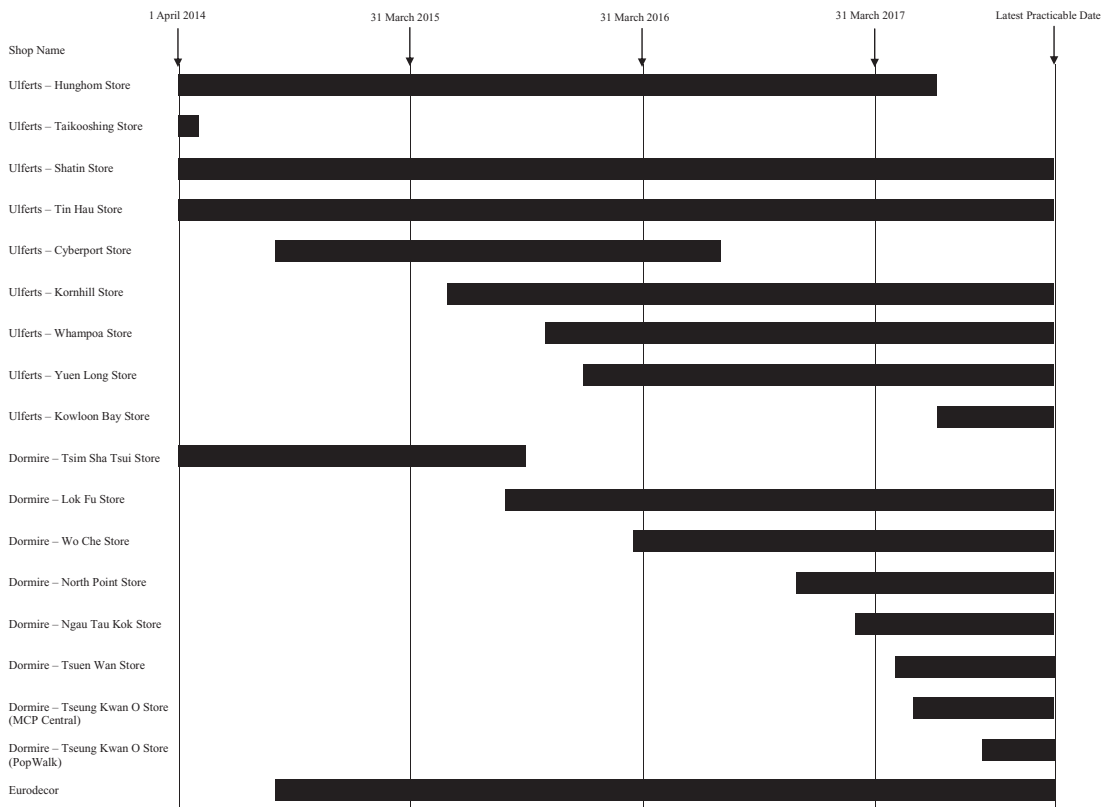
Our Directors believe that with the expansion of the Whampoa store and the opening of the flagship Kowloon Bay store, the closure of the Hunghom store will not have any material impact on the result of operation of our Group.

For our “Ulfenbo” products we started selling them in the shop under the name of “Dormire” in May 2014 and since then we have opened 7 more “Dormire” specialty stores for such purpose to establish a comprehensive geographic coverage.

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As a retail chain, we will monitor the performance of our stores and review strategies and location of stores from time to time to fit customer flow and other criteria for marketing of products and therefore closing and opening of stores would be part of the ordinary course of business of chain store operation. Generally speaking, we adopt the following strategies for the location of new retail stores. For “Ulferts” stores, we target to open in areas with good market potentials or customer demands, with reference to geographic coverage, population density, private residential developments, purchasing power and the presence of related trade mix in the vicinity. They will typically be of sizes ranging from 8,000 to 15,000 square feet, and can be either street shops or in shopping malls. For “Dormire” stores, we target to open stores for territorial coverage in residential areas with dense population and mass housing developments. These stores will typically be of sizes ranging from 500 to 1,000 square feet, mainly to be in shopping malls with high customer traffic and more convenient transportation.

Details of all our retail stores during the Track Record Period and up to the Latest Practicable Date are set out below:



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The table below set forth the historical investment amounts and the payback period for each new store opened/acquired during the Track Record Period:

Shop name	Historical investment amount <i>(Note 1)</i> <i>(HK\$'000)</i>	Payback period <i>(Note 2)</i>
Ulferts		
● Cyberport Store	416	N/A <i>(Note 3)</i>
● Kornhill Store	2,775	18 months
● Whampoa Store	2,986	15 months
● Yuen Long Store	5,081	28 months <i>(Note 4)</i>
● Kowloon Bay Store	5,497	14 months <i>(Note 4)</i>
Average:	3,351	
Domire		
● Lok Fu Store	513	35 months <i>(Note 4)</i>
● Wo Che Store	763	18 months
● North Point Store	349	21 months <i>(Note 4)</i>
● Ngau Tau Kok Store	427	41 months <i>(Note 4)</i>
● Tsuen Wan Store	435	35 months <i>(Note 4)</i>
● Tseung Kwan O Store (MCP Central)	467	35 months <i>(Note 4)</i>
● Tseung Kwan O Store (PopWalk)	377	28 months <i>(Note 4)</i>
Average:	476	
Eurodecor	1,594	29 months

Note 1: The historical investment amount is calculated by including all the capital expenditures incurred for the store up to 30 September 2017.

Note 2: Payback period for the store represents the period of time from the commencement of operation to the month in which the accumulated operating profit at store level generated by the respective store at least equal to the historical investment amount. For the calculation of payback period for the stores, operating profit at store level is calculated by deducting cost of inventories sold, selling and distribution expenses and general and administrative expenses that are directly attributable to respective stores (including store level rentals and related expenses, store level employee benefit expenses, store level bank charges, store level utilities expenses and other store level expenses, but excluding store level depreciation) from the revenue of each stores. Other income and expenses that are not directly attributable to respective stores (including rentals and related expenses not related to store level, employee benefit expenses not related to store level, advertising and promotion expenses, write-down of inventories to net realisable value, reversal of write-down of inventories to net realisable value, cost of delivery from warehouse and warehouse expenses, sundry income, expenses relating to wholesale and special projects, expenses relating to employee training/recruitment, bank charges not related to store level, entertainment expenses, foreign exchange differences, and professional fees) are excluded in the calculation of operating profit/(loss) at store level.

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Operating profit at store level is not GAAP items/measures. We have presented these non-GAAP items/measures as supplemental measures of our operating performance at store level. Other companies in our industry might calculate these non-GAAP items/measures differently than we do and, accordingly, might not be directly comparable. These non-GAAP items/measures are not measures of financial performance or operating cash flows under HKFRSs and should not be considered as a substitute for, or superior to, profit before tax or cash flows from operating activities determined in accordance with HKFRSs. These non-GAAP items/measures have limitations as analytical tools/measures, and you should not consider them in isolation or as substitutes for analysis of our financial performance and operating cash flows as reported under HKFRSs. Each of these non-GAAP items/measures should be read in conjunction with this footnote with due consideration of their calculation basis, limitations, appropriateness and relevancy. Our presentation of these non-GAAP items/measures should not be construed as an inference/indication that our future operating results, financial performance and operating cash flows will be unaffected by unusual or non-recurring items.

Note 3: This store has not achieved investment payback before its closure in July 2016.

Note 4: These stores have not yet achieved investment payback as at the Latest Practicable Date. The payback periods are the estimated figures taking into account i) the accumulated operating profit at shop level already generated up to 30 September 2017; ii) the estimated revenue of the store after considering the historical revenue and potential increment in the forthcoming period; and iii) the gross profit margin and historical amount of expenses at store level up to 30 September 2017.

We operated the retail stores by ourselves and also bear all operating costs, including rental expenses. All retail stores of our Group are leased properties at fixed monthly rent and in the case of properties located in shopping malls, additional rental based on turnover may be payable if the turnover hits the agreed level.

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The table below sets out the details of the rental arrangement of the retail stores of our Group which closed during the Track Record Period and up to the Latest Practicable Date:–

Address	Floor Area	Lease term (including option to renew and rent free period (if any))	Shop name	Aggregate rental/ license fee incurred during the Track Record Period (HK\$'000)
1. Shops No. 7-11, G/F, 1/F and 2/F, Wei King Building, No. 275 Chatham Road North, Hunghom, Hong Kong (closed with effect from 3 July 2017)	13,585 sq.ft. (lettable)	3 years commencing from 1 April 2012 and expiring on 31 March 2015 with 2 successive options to renew each for a term of 3 years, the first option having been exercised and therefore the tenancy renewed for 3 years from 1 April 2015 and expiring on 31 March 2018 (with option to renew for a term of 3 years as abovementioned)	Ulferts 歐化傢俬	13,480
		Tenancy early terminated with effect from 1 August 2017		
		Rent free period: 1 April 2012 to 30 June 2012, 1 April 2015 to 30 April 2015 and 1 April 2017 to 30 April 2017		
2. City Plaza Phase 2, Shop #020 on G/F & Shop #104 on 1/F, 18 Taikooshing Road, Hong Kong (closed with effect from April 2014)	14,744 sq.ft. (lettable)	Short term extension of tenancy from 1 October 2013 to 30 May 2014 upon expiration of the previous tenancy agreement on 30 September 2013	Ulferts 歐化傢俬	505
3. Shop 109 and Shop 205, The Arcade, 100 Cyberport Road, Hong Kong (closed with effect from July 2016)	5,367 sq.ft. (gross)	A license period commencing from 8 August 2014 and expiring on 29 July 2016	Ulferts 歐化傢俬	– (Note)
4. Shop L704 on Level 7 of The ONE, 100 Nathan Road, Tsimshatsui, Kowloon, Hong Kong (closed with effect from September 2015)	727 sq.ft. (gross)	3 years commencing from 7 September 2012 and expiring on 6 September 2015 Rent free period: 7 September 2012 to 6 October 2012	Dormire 多眠樂 (for retail of Ulfenbo products since May 2014)	750

Note: The shop was occupied by the Group under a license agreement while the license fee was exempted during the license term.

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The table below sets out the details of the rental arrangement for retail stores of our Group as at the Latest Practicable Date:–

Address	Floor Area	Lease term (including option to renew and rent free period (if any))	Shop name	Aggregate rental incurred during the Track Record Period (HK\$'000)
1. Shop Nos. 108-109, Level 1, HomeSquare, Grand Central Plaza, 138 Shatin Rural Committee Road, Shatin, New Territories, Hong Kong	5,242 sq.ft. (lettable)	1 year commencing on 1 May 2013 and expiring on 30 April 2014	Ulferts 歐化傢俬	18,332
		2 years commencing on 1 May 2014 and expiring on 30 April 2016		
		2 years commencing from 1 May 2016 and expiring on 30 April 2018 (<i>note a</i>)		
2. 12/F and Penthouse of Yuen Long Landmark, 115-127 Yuen Long Castle Peak Road, Yuen Long, New Territories	8,502 sq.ft. (lettable)	3 years commencing from 26 October 2015 and expiring on 25 October 2018 with an option to renew for a term of 2 years (<i>note b</i>)	Ulferts 歐化傢俬	4,267
		Rent free period: 2 months and fifteen days from commencement date of the term		
3. Ground Floor, Commercial Podium of Site 12, Whampoa Garden, Hunghom, Hong Kong:				
Shop 7	7,745 sq.ft. (gross)	2 years commencing from 15 September 2015 and expiring on 14 September 2017 with option to renew for a term of 2 years	Ulferts 歐化傢俬	6,326
		Rent free period: 2 months from commencement date of the term		
		Term has been extended to 14 September 2019 with no more option to renew (<i>note b</i>) but a rent free period of 7 days from commencement date of the extension term		

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Address	Floor Area	Lease term (including option to renew and rent free period (if any))	Shop name	Aggregate rental incurred during the Track Record Period (HK\$'000)
Shop 6	3,980 sq.ft. (gross)	2 years commencing on 15 September 2017 and expiring on 14 September 2019 (<i>note b</i>) Rent free period: 60 days from tenancy commencement date		–
4. Shops Nos. A8-A9, Ground Floor and Shop Nos. A9-A15, Upper Floor, 18 Hong On Street, Kornhill, Hong Kong	3,810 sq.ft. (saleable)	4 years commencing from 1 April 2015 and expiring on 31 March 2019 (<i>note b</i>) Rent free period: 61 days from 1 April 2015 to 31 May 2015	Ulferts 歐化傢俬	4,398
5. Shop No.1 (including cockloft) and Shop No.2, Ground Floor of Park Towers, No.1 King's Road, Tin Hau, Hong Kong	16,748 sq.ft. (gross)	3 years commencing on 1 September 2013 and expiring on 30 September 2016 with option to renew for a term of 3 years from 1 October 2016 to 30 September 2019 Rent free period: the whole month of September 2013, October 2014 and October 2015 3 years commencing from 1 October 2016 and expiring on 30 September 2019 with option to renew for a term of 3 years (no rent free period)	Ulferts 歐化傢俬	20,306
6. Shop 602, Level 6 of Telford Plaza, Kowloon Bay, Kowloon, Hong Kong	13,606 sq.ft. (lettable)	3 years commencing from 8 May 2017 and expiring on 7 May 2020 with an option to renew for three years and a further option to renew for another two years thereafter (<i>note b</i>) Rent free period: 3 months from the commencement date of the term	Ulferts 歐化傢俬	2,021

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Address	Floor Area	Lease term (including option to renew and rent free period (if any))	Shop name	Aggregate rental incurred during the Track Record Period (HK\$'000)
7. Ground Floor, Garwin Court, Nos.135-135A, Wong Nai Chung Road, Hong Kong	1,996 sq.ft. (saleable)	2 years and three months commencing on 1 September 2014 and expiring on 30 November 2016 with an option to renew for a further term of two years	Eurodecor 雅豪傢俬	5,611
		2 years and one month commencing from 1 November 2016 and expiring on 30 November 2018 with a right on the tenant to early terminate after 1 June 2017 by giving 3 months' prior written notice		
8. Shop No.S110, 2/F, Amoy Plaza of Amoy Gardens Phase I, No.77 Ngau Tau Kok Road, Kowloon, Hong Kong	510 sq.ft. (saleable)	3 years commencing from 27 February 2017 and expiring on 26 February 2020 (<i>note b</i>) Rent free period: thirty days from the date of commencement of the term	Dormire 多眼樂	242
9. Shop No. U31, Upper Ground Floor, FitFort, No.560 King's Road, North Point, Hong Kong	856 sq.ft. (gross)	3 years commencing from 1 October 2016 and expiring on 30 September 2019 (<i>note b</i>) Rent free period: 1 October 2016 to 30 November 2016	Dormire 多眼樂	406
10. Shop No.2001, 2/F., KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan, New Territories	585 sq.ft. (gross)	3 years commencing from 16 March 2017 and expiring on 15 March 2020 Rent free period: 16 March 2017 to 29 April 2017	Dormire 多眼樂	272
11. Shop No. U214, Upper Ground 2 Floor, Commercial Centre II, Lok Fu Estate, 198 Junction Road, Kowloon, Hong Kong	560 sq.ft. (saleable)	2 years commencing from 13 July 2015 and expiring on 12 July 2017 (<i>note b</i>) Rent free period: 31 days from the commencement of the term Extended for 1 year commencing from 13 July 2017 and expiring on 12 July 2018 (<i>note b</i>) (<i>note c</i>)	Dormire 多眼樂	753

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Address	Floor Area	Lease term (including option to renew and rent free period (if any))	Shop name	Aggregate rental incurred during the Track Record Period (HK\$'000)
12. Shop No.207B, 2/F, Commercial Centre (also known as Wo Che Plaza), Wo Che Estate, Shatin, New Territories, Hong Kong	960 sq.ft. (saleable)	3 years commencing from 1 March 2016 and expiring on 28 February 2019 (<i>note b</i>) Rent free period: 31 days from the commencement of the term	Dormire 多眼樂	716
13. Shop No. UG057, Upper Ground Floor, MCP Central, Tseung Kwan O	1,194 sq.ft. (gross)	3 years commencing from 18 April 2017 and expiring on 17 April 2020 (<i>note b</i>) Rent free period: the initial 45 days starting from and inclusive of the lease commencement date	Dormire 多眼樂	295
14. Shop No.116, 1/F, PopWalk 2, No.19 Tong Yin Street, Tseung Kwan O, New Territories (<i>Note</i>)	832 sq.ft. (lettable)	2 years commencing from 25 July 2017 and expiring on 24 July 2019 (<i>note b</i>) Rent free period: 45 days from (and inclusive of) the actual commencement date	Dormire 多眼樂	43

Note: This shop was opened after the Track Record Period.

Note a: If the landlord shall resolve to sell or redevelop or demolish or re-build or refurbish the premises or the building of which the premises form part, the landlord shall be entitled to give not less than three months' notice in writing to terminate the tenancy.

Note b: If the landlord shall resolve to sell or redevelop or demolish or re-build or refurbish the premises or the building of which the premises form part, the landlord shall be entitled to give not less than six months' notice in writing to terminate the tenancy.

Note c: The landlord shall have the right to terminate this agreement at any time after the expiration of first 6 months of the term upon giving not less than two months' written notice to the tenant (i.e. the shortest term of the tenancy shall be up to 12 March 2018).

There are three lease agreements which will expire in 2018, being the "Ulferts" Shatin store, the "Dormire" Lok Fu store and the "Eurodecor" shop. In respect of the "Ulferts" Shatin store, the Company is in advanced stage of negotiation with the landlord for renewal for another term of two years. For the "Dormire" Lok Fu store, the Group planned to close this store upon expiry of the current tenancy in July 2018 and will look for alternative location in the vicinity. As for the "Eurodecor" shop, the Group does not have any current plan to close it. The tenancy of the "Eurodecor" shop will expire by end of November 2018, our Group plans to start negotiating for renewal around six months prior to expiry of tenancy, i.e. around May 2018.

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For some of our stores, the landlord is entitled to early terminate the tenancy if it shall resolve to sell or redevelop or demolish or re-build or refurbish the premises or the building of which the premises form part. The Company has not, up to the Latest Practicable Date, received any notice from any of the landlords exercising any of such right of early termination or notifying the Company of any proposal that any of those premises are up for sale or due to be developed, demolished, rebuilt or refurbished. The landlord of the “Dormire” Lok Fu store may however terminate the tenancy agreement at any time after 12 January 2018 upon giving not less than two months’ written notice without giving any reason.

The Company believes that the Group’s operation will not be materially impacted upon the expiry of those leases expiring in 2018 nor those leases that do not carry an option to renew. The closing and opening of stores is part of the ordinary course of business of chain store operation, and the Company reviews strategies and location of its stores from time to time. The Company also appraises available rental spaces in the vicinity of its existing stores and/or target location for new stores from time to time. Therefore, should the Company be unable to secure renewal of any of these leases, the Company believes that it would be able to find alternative location for the opening of a new store which is in line with its strategies.

Department store counters and roadshows

Since we commenced retail of “Ulfenbo” products in May 2014, in addition to sales in “Dormire” stores, we have counters at department stores and held roadshows from time to time in different locations for direct sales of the products to reach our target customer segments.

During the Track Record Period, we have a “Ulfenbo” counter in Sincere.

Roadshows are usually held in shopping malls and department stores. During the Track Record Period, we held over 200 roadshows, mostly in shopping centers and we also participated in fairs and exhibitions such as Harbour City Bazaar, Summer Home Festival @SOGO and Hong Kong Brands and Products Expos.

Roadshow and department store counters are usually of a few hundred square feet in space each, and we pay license fees of varying terms, some of fixed fee, some of percentage of sales and some a combination of both.

We are responsible for the setting up cost of these counters and we station our staff or part time promoters to conduct sales.

Rental Expenses

Rental expense is one of the major costs in our business operations. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively, total rent, licence fees, rates and building management fees of our retail stores, department store counters, roadshow venues and warehouse amounted to approximately HK\$29.1 million, HK\$40.5 million, HK\$46.4 million and HK\$23.8 million respectively,

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representing approximately 44.8%, 44.9%, 48.4% and 50.0% of the selling and distribution expenses of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017.

Wholesaling and Distribution Network

We sell some models of Ulfenbo mattresses and sofas through dealers in Hong Kong and Macau. Our Group has about 250 active dealers for each financial year during the Track Record Period, being dealers who have purchased “Ulfenbo” products from our Group within the preceding 12 months as at the end of the relevant financial year. Dealers were the only customers of our wholesale business, who contributed approximately 73.8%, 49.4%, 42.7% and 35.1% of revenue derived from sales of Ulfenbo products for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The relationship between our Group and the dealers is that of seller/buyer with the dealers being customers of our Group and sales to the dealers were recognised during the Track Record Period when the goods were delivered to the dealers. These dealers are not agents of our Group.

Most of these dealers are furniture shops in residential districts with small scale of operation, except approximately 20 of whom are furniture chains with two or more retail stores, and others are companies which provide furniture and/or furnishing design services. We believe that whilst our direct sales in the “Dormire” stores, department store counters and roadshows build awareness of the “Ulfenbo” brand and presence in the market, the use of dealers allows our Group to extend the geographical sales coverage of “Ulfenbo” products to different customer segments with minimal capital requirement and operational risks and enables us to leverage on the management and local relationship of the dealers to strengthen the sales of “Ulfenbo” products.

Our wholesale department has a team of sales staff who will visit various districts frequently to identify suitable dealers. In selecting dealers, the main factors that we take into account are the location of the dealer, past payment records, managerial capabilities, reputation of the dealer and the number of dealers in a particular district.

The official listed prices of “Ulfenbo” mattresses and sofas available to dealers ranged from approximately HK\$2,600 to HK\$13,300 for mattresses and from HK\$3,000 to HK\$9,800 for sofas during the Track Record Period. We offered discounts to our dealers ranging from approximately 31% to 66% of the official listed price during the Track Record Period, which discount may vary from time to time and from product to product. Additional discount may be offered for special promotion. We provide rebate to our dealers who achieve the designated sales target, and awards progressively higher percentage of rebate with the attainment of a higher band of sales volume. During the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, 261, 256, 256 and 200 dealers received rebates respectively, totalling HK\$612,800, HK\$550,695, HK\$550,100 and HK\$203,450 respectively, representing approximately 4.2%, 4.0%, 4.2% and 4.0% of the total sales amount of wholesale for the relevant period, respectively.

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We provide the dealers with the official price list for the different Ulfenbo products and also provide them with promotional materials from time to time but do not require them to follow or comply with the official price list, or, save for restrictions on use of “Ulfenbo” trademark and “Ulfenbo” product photo on the internet as mentioned below, any particular requirements in the sale or promotion of the Ulfenbo products. We have not adopted any system to monitor the inventory level of our dealers as most dealers do not keep stock of “Ulfenbo” products. The sales team of our wholesale department will visit the dealers from time to time to discuss sales performance and other issues.

We have not entered into any long term agreement with any of these dealers during the Track Record Period or as at the Latest Practicable Date. There is no minimum order or purchase volume requirement that a dealer needs to meet and there is no requirement that a dealer must not sell similar products. On the other hand, there is no restriction on our Group in selling our “Ulfenbo” products to other dealers. Since April 2016 we required our dealers to obtain our prior consent for using the “Ulfenbo” trademark or uploading “Ulfenbo” product photo or other information onto the internet. Save for this we do not require our dealers to follow or comply with any particular terms or conditions in their sale or promotion of the Ulfenbo products, nor do we have any policy or agreement with any dealer regarding coverage of sales districts by any particular dealer as furniture shops in Hong Kong tend to locate close to each other within a district. The sales team of the wholesale department of our Group will normally visit the dealers at least once a month to discuss sales performance and other issues, except the frequency of visits to dealers located in remote areas or with low sales volume may be less. We also have not adopted any particular measures to regulate competition between dealers which we believe is in line with industry practice.

It is our Group’s policy that no sales return is accepted by our Group except for material manufacturing defects or defects arising from the course of delivery where our Group cannot fix the defect or offer replacement. During the Track Record Period, refund to dealers arising from sales return amounted to approximately HK\$14,000, HK\$5,000, HK\$18,000 and HK\$3,000 for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

To the best knowledge of the Directors, our Group’s dealers were and are Independent Third Parties not connected with our Group, the Controlling Shareholders, our Directors, our senior management or their respective associates.

Although there is no long term agreement with the dealers, in view of the number of dealers doing business with us and commencement of our retailing business for Ulfenbo products, we believe our business operations will not be significantly affected in the event any of these dealers cease business with us.

Special Projects

Our business development team devises promotion strategies for services we offer for Special Projects and is responsible for preparing the relevant advertising and promotion materials. For example they will select different sectors of corporate customers based on the business nature of such customers and prepare promotion materials targeting at their

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particular business needs. Some of our customers were introduced to us by referrals from other customers or personal contacts of our senior management. Staff of our business development team will visit potential customers to introduce our services. Where there is a business opportunity they will prepare our scope of service and fee quotation for the potential project and negotiate with customers on the terms and conditions thereof.

MAJOR SUPPLIERS AND CUSTOMERS

Suppliers

We purchase our products from suppliers in Europe and Asia (including the PRC), many of whom are established players in the market in which they operate. We usually settle our purchases by way of letter of credit, document against payment or open credit accounts with settlement upon delivery. Our purchases are usually quoted at ex-factory prices and we usually arrange for the transportation from our suppliers and bear the transportation costs incurred thereto.

For each of the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five suppliers (in terms of the purchase amount during the respective period) accounted for approximately 38.6%, 40.9%, 38.9% and 37.4% respectively, and the largest supplier accounted for approximately 12.7%, 14.7%, 12.4% and 11.6% of our total purchases for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

Set out below are the brief particulars of our top five suppliers during the Track Record Period:

Year ended 31 March 2015

No.	Supplier	Principal product sourced	Years of relationship with our Group	Location of supplier
1	Supplier A	Sofa	over 30 years	PRC
2	Supplier B	Sofa	over 15 years	Germany
3	Supplier C	Sofa	over 15 years	Italy
4	Supplier D	Sofa	over 8 years	Italy
5	Supplier E	Sofa	over 4 years	Italy

Year ended 31 March 2016

No.	Supplier	Principal product sourced	Years of relationship with our Group	Location of supplier
1	Supplier B	Sofa	over 15 years	Germany
2	Supplier A	Sofa	over 30 years	PRC
3	Supplier C	Sofa	over 15 years	Italy
4	Supplier D	Sofa	over 8 years	Italy

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No.	Supplier	Principal product sourced	Years of relationship with our Group	Location of supplier
5	Supplier F	Interior design and furnishing	new supplier	HK

Year ended 31 March 2017

No.	Supplier	Principal product sourced	Years of relationship with our Group	Location of supplier
1	Supplier B	Sofa	over 15 years	Germany
2	Supplier A	Sofa	over 30 years	PRC
3	Supplier D	Sofa	over 8 years	Italy
4	Supplier G ^{Note}	Sofa	over 4 years	Italy
5	Supplier H	Table and Chair	over 6 years	Italy

Five months ended 31 August 2017

No.	Supplier	Principal product sourced	Years of relationship with our Group	Location of supplier
1	Supplier B	Sofa	over 15 years	Germany
2	Supplier I	Sofa	over 4 years	Italy
3	Supplier D	Sofa	over 8 years	Italy
4	Supplier A	Sofa	over 30 years	PRC
5	Supplier C	Sofa	over 15 years	Italy

Note: Supplier G is directly held by the ultimate parent company of Supplier A

To the best knowledge of our Directors, none of our Company, our Directors, the chief executive, the substantial Shareholders of our Company or any of their respective associates has any interest in any of our top five suppliers during the Track Record Period. There is no long term agreement between our Group and any of our suppliers.

Customers

Our retail sales contributed to approximately 88.1%, 90.7%, 92.6% and 91.8% of our revenue during the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The customers of our Group under our retail sales are mostly individuals of the public in Hong Kong. Dealers of our “Ulfenbo” products are mainly furniture shops and interior design companies whilst our customers for Special Projects are corporations. There was no customer accounting for more than 10% of our total revenue in the relevant year during the Track Record Period.

For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our top five customers under our wholesale and Special Projects businesses consist of dealers of Ulfenbo mattresses and sofas and corporate customers under our Special Projects, and they accounted for approximately 6.5%, 5.1%, 3.6% and 4.5%

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respectively of our total sales for the same periods. The largest customer under wholesale and Special Projects businesses accounted for approximately 3.1%, 2.4%, 1.7% and 2.4% of our total sales of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

Emperor International (together with its subsidiaries including Emperor E Hotel) is included in the top five customers under our wholesale and Special Projects business for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017. Emperor Motion Picture Limited together with its subsidiaries is included in the top five customers under our wholesale and Special Projects business for the financial years ended 31 March 2016 and 2017. The sales income derived from them under our wholesale and Special Projects businesses accounted for approximately 3.1%, 2.6%, 1.1% and 2.5% respectively of our total sales for such financial years and period. Emperor International and Emperor E Hotel are both listed on the main board of the Stock Exchange with our Shareholder, AY Holdings, as its substantial shareholder, while AY Holdings is in turn wholly-owned by the AY Discretionary Trust. Dr. Albert Yeung, as founder and settlor of the AY Discretionary Trust is deemed to be interested in the share capital of AY Holdings. By virtue of being the spouse of Dr. Albert Yeung, Ms. Luk is also deemed to be interested in the aforesaid share capital of AY Holdings. Save as the aforesaid, none of our Company, our Directors, the chief executive and the substantial Shareholders of our Company or any of their respective associates and shareholders of our Company which to the knowledge of our Directors own more than 5% of the issued share capital of our Company has any interest in any of the top five customers of our Group during the Track Record Period.

PRICING, CREDIT AND CASH-FLOW POLICIES

Pricing and Discount Policies

We price our products on a cost-plus basis by taking into account our costs of purchases and target profit margins. We also take into account factors such as quality and conditions of the products, market demand, popularity of the brands, the design, craftsmanship and technical innovations of the product. The pricing of our “Ulfenbo” products is also based on cost-plus basis by taking into account costs of purchases and target profit margins.

Our retail stores entered into joint promotion programmes with a number of banks and other strategic partners such as the reward programme Asia Miles from time to time and offer sales discounts to customers who made purchases using credit cards issued by these banks and offered Asia Miles to customers who are members of the reward programme. We also schedule periodic or promotional sales for our retail stores such as summer sales, Christmas sales, annual sales and stock take clearance sales to boost sales and enhance stock turnover. Details of our periodic and other promotional sales campaigns are determined after taking into account factors such as market condition, aging of inventories and our inventories level. The amount of discount to the retail price varies among different campaigns depending on the type, condition and aging of the products. Apart from these sales events, we also offer discount to employees of our Group. We have internal pricing and discount guidelines, set and approved by our management, to govern the discounts

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which may be offered to customers. All our sales staff are required to follow the guidelines strictly. Any extra discounts can only be granted with the prior approval from the management.

Some models of our “Ulfenbo” mattresses and sofas are available to our dealers and such products are sold to dealers at a discount to the official listed price we provide to the dealers. We do not stipulate any retail price to be strictly followed by our dealers and there is no restriction on the minimum retail price, and our dealers may grant various discounts to its customers at their discretion. In addition, we adopted rebate incentive scheme for our “Ulfenbo” dealers to encourage achievement of designated sales target and the amount of rebate depends on the amount of sales orders and different series of “Ulfenbo” products. Such rebates may be changed from time to time as the management of our Group may determine and the dealers will be notified of any change of the rebate scheme. We also conducted periodic promotion campaign for “Ulfenbo” products by offering trade incentives and gift coupons through our dealers to their salespersons and premium gifts to the end consumers.

Credit Policies

Generally, it is our Group’s policy not to provide any credit period to customers of our retail business. All retail sales payments are required to be settled before or when we deliver the product to our customers. Although we have cooperated with various banks for credit card installment payment programme for retail customers, we receive the full payment of the purchase price from the banks in such cases as for usual credit card purchases although we pay a higher handling charge to the bank. As for custom-made service rendered under Special Projects, depending on the contract terms and the project duration period, we charge deposit ranging from 20% to 50% on order confirmation and for the balance we may grant credit periods of up to 30 days after project completion or product delivery. Purchases by “Ulfenbo” dealers are billed and payable upon delivery of product unless credit period is granted to the dealer. Credit period of not more than 60 days from statement date is offered to “Ulfenbo” dealers with bigger sales volume and the credit period and credit limit for each dealer will be reviewed and approved by the management from time to time. Special approvals from the management have to be obtained when the credit limits are exceeded. As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group’s trade receivables amounted to approximately HK\$3.8 million, HK\$3.6 million, HK\$4.5 million and HK\$5.1 million, respectively.

Cash-flow Management and Treasury Policies

For retail sales, our customers settled their payments by way of credit cards, debit cards, cheques or cash, with cash payments making up only approximately 18.1% of sales in our retail stores during the Track Record Period. We set threshold limits for cash allowed to be held by retail stores, warehouse and delivery teams and have adopted tight control on the management for cash received. All cash receipts are deposited into our designated bank account on a daily basis, other than public holidays. Copy of the bank deposit receipt will be sent to our accounts department on the next working day for reference check and records.

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For the wholesale and Special Projects business, majority of customers will settle the payment by cheque or telegraphic transfer, which will be monitored and handled by our accounts department.

At Group level, in addition to the annual budget, our accounts department will prepare, on a monthly basis, management accounts and comparison between budgets and actual performance for review and approval by our management. Our management team and accounts department are responsible for closely monitoring the use of cash and the liquidity of our Group by reviewing the daily cash position and payment schedules from the daily sales report and daily cash flow report prepared by the accounts department. Monthly management meetings are held for our chief executive officer, chief operation officer, sales director, accounts manager and other department heads to evaluate overall performance of our Group. For better allocation of our financial resources, the monthly management accounts will be provided to our executive Directors and any material variances against budget are highlighted and reported to our Board of Directors on regular basis. The annual budget will also be reviewed after six months and may be revised upon material changes to business environment.

During the Track Record Period, we have not experienced any cash-flow problem nor has there been any incident of default in repayment of bank borrowings.

INVENTORY MANAGEMENT AND DELIVERY LOGISTICS

Inventory Control Policy

We currently implement an ERP system which integrated with a POS System to manage our sale orders and inventory movement. Our management is able to manage and review various aspects of our business including pricing of our products, discount policy, inventory and sales performance through the ERP system. From stock ordering, stocking in retail stores and warehouse, sales orders to delivery to customers, our Group's inventory movement is tracked and monitored. We have adopted inventory control policy which aims at maintaining healthy inventory level at each of our retail stores and our warehouse having regard to factors such as the general market condition, consumer demand, promotion and pricing.

Our ERP system is updated with sales information on a real-time basis and our inventory level is reviewed by our management on a monthly basis in conjunction with the monthly stock report and upcoming shipment of products. Our chief executive officer sets an optimal maximum inventory level, which represented goods available for sale and immediate delivery, at the beginning of a financial year. He then proactively manages inventories by setting rolling open-to-buy budgets for procurement of new stocks based on periodic analysis on sales forecast, sales performance of products sold, the stock report and incoming shipment. A month end inventory balance will then be estimated which may fluctuate taking into account seasonality and shipping lead-time which may take about few months for Ulferts or Eurodecor products and sales orders yet to be delivered. In addition, our management will also review inventories of our Group in monthly meetings with other department heads. Our ERP system also generated stock analysis for the procurement team

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to review on a regular basis such that purchase order can be placed to replenish appropriate stock on a timely basis. We will conduct clearance sales and other promotional activities to clear slow-moving and aging inventories.

Inventory Provision

During the Track Record Period, our management performs regular review of the carrying amounts of inventories with reference to aging analyses and other specific assessments of our Group's inventories, projections of expected future saleability of goods based on historical sales pattern and other specific attributes (for example, whether they are damaged or defective), and our management experience and judgement. Based on such review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values.

Details of bases adopted by our Group as starting points in arriving at the provision required to write-down our Group's inventories to their net realisable values as at 31 March 2015, 2016 and 2017 and 31 August 2017 are summarised below:

- 1) the value of all damaged stock, including furniture, mattresses and accessories are fully written off when the management is of the view that the stock cannot be sold;
- 2) 30% provision or appropriate provision is made for defective stock when the management is of the view that the sale price of the stock will be below cost;
- 3) 30% provision is made for stocks aged over one year and less than two years;
- 4) 50% provision is made for stocks aged over two and less than four years; and
- 5) 100% provision is made for stocks aged four years and over.

Our management determined the actual provision required with reference to the historical sales patterns and other specific attributes, including market environment and customer preferences and their impact on the estimated net realisable value of inventories in particular aging categories.

Due to changes in market and economic environment and customer preference, actual saleability of goods and actual selling prices that could be realised might be different from the original estimation and our Group would be required to revise the basis for making the provision.

Based on the information provided to the Reporting Accountants and having considered an assessment of the past sales experience, market trends and customers preferences and with reference to the subsequent sales of inventories, the Reporting Accountants as part of their audits have evaluated the appropriateness of the Group's accounting policies, including those as applied to inventory provision, taking into account their consistency with applicable

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financial reporting framework (including relevant Hong Kong Financial Reporting Standards) and the effect thereon, and do not consider any modification to their opinion is required in that regard.

Stock-taking

Our Group performs physical stock taking at least once a year and usually on the day immediately following year-end day. For every stock-taking, our warehouse/ retail store staff will perform the preliminary detailed checking and counting in accordance with the stock taking guidelines and procedures. Any discrepancies will be investigated and reconciled. The stock records will be updated accordingly. These stock-taking results will be subject to the random checking by our management and our external auditors. The last full count stock-taking was performed on 1 April 2017. During the Track Record Period, our Group did not encounter any material discrepancies between the physical stock counts and the stock records.

Delivery Logistics

Our Group has six self-owned delivery trucks and a delivery team with, as at the Latest Practicable Date, 17 full time staff to deliver products to customers to fulfil orders. In addition, during the Track Record Period, we have three outsourced service providers to provide support to us when our own delivery team reached capacity. We have entered into service agreement with a logistic service provider who is an Independent Third Party, pursuant to which it is required to provide transport vehicles as well as sufficient delivery manforce wearing our uniform for delivery service to our customers. Charges on the delivery service are based on the number of the delivery service provided as well as the value of the delivery involved, subject to a minimum daily fee. In February 2017, the service provider decided to cease such service. Other than this, we also outsourced delivery of “Ulfenbo” products to 2 other logistic service providers who are also Independent Third Parties. In the event of any damage to or loss of the product being delivered caused by the staff of the logistic service providers, the relevant logistic service provider shall be responsible for such damage and loss.

We believe that outsourcing part of the delivery work to professional logistic service providers allow us to manage the delivery service more efficiently and with flexibility, while entering into formal contracts with them ensure provision of such service according to the delivery standard and code of conduct prescribed by us.

During the Track Record Period, we did not experience any material disruption or delay in the delivery of our products. Upon the cessation of services by one of the logistic service providers in February 2017, we did not seek for replacement but instead recruited some of its staff to fill up the vacancy of our own delivery team and hired additional temporary workers where required.

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AFTER-SALES SERVICES

Our Group places strong emphasis on enhancing our competitiveness by offering our customers comprehensive and timely after-sales services. We have a customer service department which attends to enquiries and problems of customers on daily basis. The department will help to solve problems that our customer may encounter and complaints they may have in relation to our products. For products sold through “Ulferts” and “Eurodecor”, we have inspection staff who will inspect on-site products we sold, where complaint is received from customer, to find out if the product is defective and the reason for the defect. We then have repair staff who will repair the defects, if required and provide maintenance advice to our customers. The on-site inspection will be provided free of charge during the first year from delivery of the products. For “Ulfenbo” mattresses, depending on the product series or collection, we offer warranty period of three years or fifteen years for the coil system. For the adjustable bed, we offer three years warranty period for the electric motor, and for the recliner sofa, we offer three years warranty for the metal elastic hinges of recliner. During such warranty periods we offer various repair and replacement service at our prevailing service charge according to number of years since purchase. Following the expiration of the warranty period, we may provide repair and maintenance services and supply parts and components for a fee based on services required.

We provide warranty for our products delivered under Special Projects on a case by case basis.

Other than described above and the compliance of legal requirements as set out in the paragraph headed “Hong Kong Laws and Regulations” in the section headed “Industry and Regulatory Overview” in this prospectus, we do not offer any additional warranty for products we sold. There was no product recall during the Track Record Period and up to the Latest Practicable Date.

Our customer service team also participates in monthly meetings with our management to discuss and resolve issues relating to our after-sales services.

For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, we have not made provisions for warranty expenses as such expenses are not material in our experience. We would charge such expenses to profit or loss as and when they arise.

SALES RETURN AND REFUND AND COMPLAINTS

It is our Group’s general policy that no sales return is accepted except for manufacturing defects or defects arising from the course of delivery where our Group cannot fix the defect or offer replacement. As the majority of our Group’s stock are from quality and long standing suppliers and given our Group’s strong repair and delivery team, during the Track Record Period only a nominal amount of sales were subject to refund as a result of sales return. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, retail sales refund due to defects of products (including partial refund on discount given or price difference on exchange of goods) amounted to approximately HK\$195,000, HK\$260,000, HK\$266,000 and HK\$33,000, respectively.

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The following table sets forth the breakdown of retail refund cases by nature during the Track Record Period:

Refund cases by nature	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
Defective products	17	22	25	6
Defects arising from delivery or installation/late shipment	1	2	5	4
Difficulties encountered during delivery of products	12	7	0	3
Others	2	11	5	5
Total	32	42	35	18

Our Group's customer service team will respond to the complaints and holds internal meetings with the sales team to discuss the complaints. Our customer service team and sales team will also hold monthly meetings with the management relating to refund and complaint cases in order to improve customer satisfaction and reduce customers' complaints. For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the number of complaints we received through the Consumer Council was 4, 26, 9 and 10, respectively.

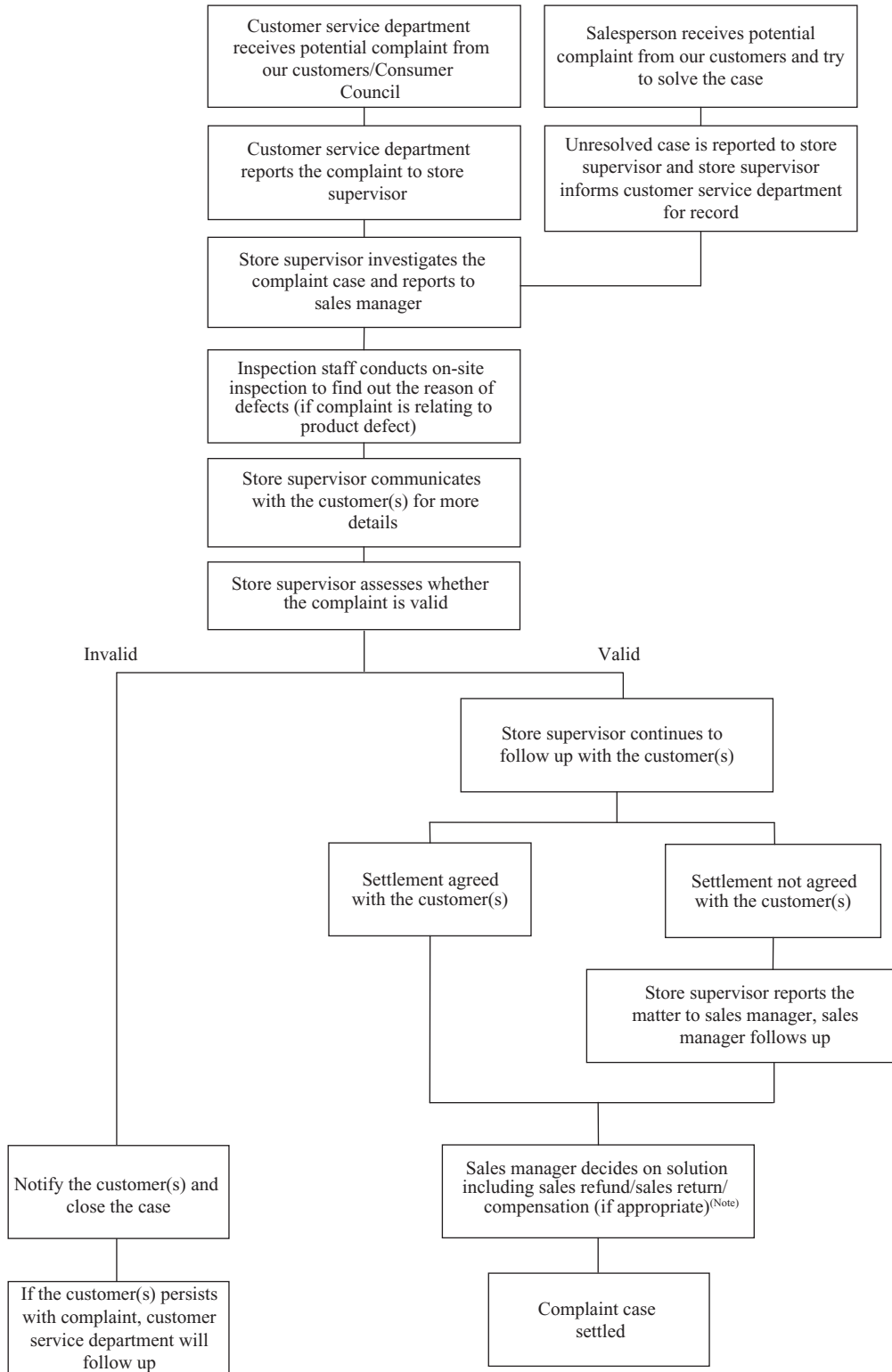
We do not consider that there is deficiency in our quality control procedures and material reputation risk to our Group in this regard. In order to reduce the number of refund cases relating to defective product, our Group holds regular customer service meetings to discuss on the complaints and refund cases received and consider whether the whole shipment of the same product in the warehouse should be inspected.

For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, we have not made any provision for sales returns as the relevant amount were not material.

During the Track Record Period and up to the Latest Practicable Date, there were four claims (one of which was a change of claimant) against our Group, all in the Small Claims Tribunal, from customers. All of them had either been disposed of in our Group's favour or withdrawn by the claimants. Save as above, there is no material dispute between our Group and any customers.

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The following table sets out procedures adopted by our Group for handling complaints from and claims by customers:



Note: If sales refund/sales return/compensation is involved in the case, sales manager will seek approval from sales director.

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QUALITY CONTROL

Our Group emphasises safety and quality as fundamental requirements for all our products. In respect of the furniture products sourced by us, we start our quality control at the procurement stage in our selection of furniture suppliers and product offering. The majority of our products are from suppliers with long-standing business relationships, the products of which have proved to be of reliable quality. We do not have our own quality control team and do not independently conduct any specific test on the products. Some of our manufacturers also obtained ISO 9001 certifying their quality management system and ISO 14001 on environmental management.

For “Ulfenbo” products and products for Special Projects, in order to ensure products sourced from our suppliers and manufacturers are in compliance with the relevant product safety requirements under the laws and regulations in Hong Kong, we also carry out the following measures: (i) we require our suppliers and manufacturers to produce evidence of compliance such as test reports and raw material suppliers’ certificates relating to “resistance to ignition” and “protection against bacteria, fungi, and house dust mite” where such compliance is required by our customers under Special Projects, or as part of our random checking for “Ulfenbo” products; and (ii) we require our suppliers and manufacturers to produce documents prescribed under Hong Kong law in relation to electrical parts of the products.

Before placing purchase orders with any new furniture suppliers, our procurement team will assess their workmanship and product quality as well as their reputation in the industry and if satisfied, will usually only place small amount of orders initially as trial of their product quality. For products of new design which are usually first released in the international furniture exhibitions and fairs, our procurement team would also inspect the products for workmanship and look into the product design and screen out any product design which may be liable to have a safety or quality issue. Regular meetings are held between the procurement team and the inspection and repair team to exchange, discuss and resolve any quality issue with the products. We also engaged independent third parties from time to time to inspect products manufactured in the PRC.

In relation to custom-made furniture, our project team conducts pre-shipment inspection at the factory of our outsourced manufacturers by checking of random samples of the finished products on workmanship and other specifications such as size, labelling and packaging to verify that the finished lots conform to such specifications before delivery.

When the cargo of our products are shipped to Hong Kong, our logistics team will check the quantity, shipping mark and package condition of the products upon their delivery to our warehouse. The whole process of devanning the cargo would be recorded by video. If we discover there is any damage to the external packaging of any product or suspect any damage to the product, our logistics team will, sometimes under the supervision of surveyors, unpack the relevant product and examine it for defect. For products of new model or from new supplier, our sales team will perform checking when the goods arrive at the store for display.

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If any complaint is received in respect of any product which is attributable to manufacturing defect, the procurement team in conjunction with the inspection and repair team would make a decision as to whether or not to inspect other pieces of the same product model from the same shipment to see if similar manufacturing defect occurs in the same batch of shipment.

Our management will be informed if defects are found and our sales director will decide whether to proceed with insurance claim and/or liaise with the relevant supplier for negotiation of appropriate remedy.

We have not experienced any significant product defects during the Track Record Period and up to the Latest Practicable Date.

BRANDING AND MARKETING

We believe that our brand recognition and reputation are critical for the growth of our business. To enhance our brand awareness, we have conducted various marketing and promotional activities through different local media including newspapers, magazines, television, social media and website on regular basis, through periodic sales like seasonal sale, annual sale and stock take clearance sale. We put up advertising on outdoor billboards and have signages on public transport such as buses and trams and in MTR stations. We sponsored various social community events such as Super Kids Championship and Streetathons and hosted customer relationship activities such as wine tasting and painting exhibition. We also have public relations event such as our 40th anniversary photo exhibition. It is mainly our marketing team that is responsible for designing and launching marketing campaigns to promote our brand and image. For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, advertising and promotional expenses incurred by our Group amounted to approximately HK\$7.8 million, HK\$11.1 million, HK\$8.6 million and HK\$5.4 million, respectively, representing approximately 12.1%, 12.3%, 9.0% and 11.3% of our Group's total selling and distribution expenses during such periods respectively.

Moreover, we strive to maintain customer loyalty and our reputation through the quality services provided by our sales and delivery teams.

Besides, our "Ulferts" and Dormire stores, all strategically located, also enable us to maintain consistent presence to build up our brands.

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AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions from various industry associations and publications relating to our brands, operations and services. The table below sets out certain of the awards and recognitions we received:

Award	Recipient	Year(s) awarded	Issuing organisation
Superbrands	The “Ulferts” brand	2002 – 2003	Superbrands Hong Kong
High-Flyers Outstanding Enterprises – Luxury Furniture	Ulferts Far East	2006	Hong Kong Business
Quality Living Award Hong Kong – Furniture Shop	Ulferts Far East	2006	Eastweek Magazine
Hong Kong Top Brand Mark	The “Ulfenbo” brand	2014 to 31 March 2018	Hong Kong Top Brand Scheme organised by The Chinese Manufacturers Association of Hong Kong and Hong Kong Brand Development Council
The Potential Brand Award – Gold Award of 2015 Service & Courtesy Award	Ulferts Far East	2015	Hong Kong Retail Management Association
Service & Courtesy Award – Furniture & Home Accessories Category – winner of the Junior Frontline Level	staff of Ulferts Far East	2015	Hong Kong Retail Management Association
Service & Courtesy Award – Outstanding Performance Award	staff of Ulferts Far East	2015	Hong Kong Retail Management Association
Market Leadership Award in Furniture Retail	Ulferts	2016	Hong Kong Institute of Marketing
Service & Courtesy Award – Furniture & Home Accessories Category – winner of the Junior Frontline Level	staff of Ulferts Far East	2016	Hong Kong Retail Management Association
Service & Courtesy Award – Furniture & Home Accessories Category – winner of the Supervisory Level	staff of Ulferts Far East	2016	Hong Kong Retail Management Association

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Award	Recipient	Year(s) awarded	Issuing organisation
Service Category Leader – Furniture & Home Accessories Category (Mystery Shopper Programme for the period of January to March 2016)	Ulferts Far East	2016	Hong Kong Retail Management Association
Service Category Leader – Furniture & Home Accessories Category (Mystery Shopper Programme for the period of July to September 2016)	Ulferts Far East	2016	Hong Kong Retail Management Association
Service Category Leader – Furniture & Home Accessories Category (Mystery Shopper Programme for the period of October to December 2016)	Ulferts Far East	2016	Hong Kong Retail Management Association
The Best Team Performance Award – Silver Award of 2017 Service & Courtesy Award	Ulferts Far East	2017	Hong Kong Retail Management Association
Service and Courtesy Award – Furniture & Home Accessories Category – winner of the Junior Frontline Level	staff of Ulferts Far East	2017	Hong Kong Retail Management Association
Service and Courtesy Award – Furniture & Home Accessories Category – winner of the Supervisory Level	staff of Ulferts Far East	2017	Hong Kong Retail Management Association
Service and Courtesy Award – Outstanding Performance Award	staff of Ulferts Far East	2017	Hong Kong Retail Management Association
Service Retailers of the Year – Furniture & Home Accessories Category (Mystery Shopper Programme)	Ulferts Far East	2017	Hong Kong Retail Management Association

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INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group has 36 registered trademarks and 16 domain names/Internet keywords which are material to our business. Further details of our intellectual property rights are set out in “Further Information about Our Business – Intellectual property rights” of Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not have any knowledge of any counterfeiting of our products or infringement of our intellectual property rights by any third party in Hong Kong, nor have we knowingly violated or been the subject of any claims relating to the intellectual property rights of any third party.

COMPETITION

The furniture retailing industry in Hong Kong is fragmented and unstructured. The entry barrier to the industry is relatively low as there is no specific legislation regulating the operation of furniture retail stores in Hong Kong and substantial capital investment is not required. The industry is therefore highly competitive with numerous market participants with business operated in various scales including large scale chain stores and some retail stores offering products other than furniture. We believe that not all participants within the industry are considered as our core competitors due to differences in product categories and target customer group. The competition between our Group and the market players is principally with regard to the design and brands of the furniture which they represent. The competitors may offer competitive prices for their products and services with features similar to the products and services offered by us. Such competitions may adversely affect the sales performance and profitability of our Group when we are unable to differentiate ourselves whether in terms of product quality, design, brands or in other ways such as comprehensive after-sales services.

The Directors believe that our principal competitive advantages over the competitors are our long standing operation history with strong brand recognition in domestic market, the ability to maintain and establish strong business relationship with our major suppliers, a team of dedicated and professional staff, our expansive retail stores and warehouse facilities, an experienced logistics team which enable us to deliver products to our customers on a timely basis and our large initial and ongoing capital investment on the comprehensive marketing and brand building activities.

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PROPERTIES LEASED BY OUR GROUP

As at the Latest Practicable Date, aside from retail stores described in the section headed “Retail Stores” of this prospectus, our warehouse and administrative office are also leased properties. The table below sets out the details of the rental arrangement for our Group’s warehouse and office as at the Latest Practicable Date:

Property use	Address	Gross area (square feet)	Lease term (including any option to renew)
Office	(i) Units 1206 – 7, 12/F., Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong (“ Main Office ”)	2,941	2 years commencing from 1 April 2016 to 31 March 2018
	(ii) Unit 1203, 12/F., Emperor Group Centre, 288 Hennessy Road, Wan Chai, Hong Kong	692	2 years commencing from 16 August 2016 to 15 August 2018
Warehouse	M/F, 1/F, 2/F, 3/F, 4/F, 5/F, 6/F, 7/F, 8/F, 9/F, and parking spaces on G/F (excluding nos. 9 and 10), No. 4 Kin Fat Lane, Tuen Mun, New Territories (“ Existing Warehouse ”)	129,970	3 years commencing from 1 April 2015 to 31 March 2018
Warehouse	4/F, 5/F, 12/F, and 8 car parking spaces on 2/F, Block 1, Goodman Tuen Mun Distribution Centre, 3A Hung Cheung Road, Tuen Mun, New Territories (“ New Warehouse ”)	96,303	3 years commencing from 1 March 2018 to 28 February 2021 with an option to renew for three years and (except for the car parking spaces) a further option to renew for another three years thereafter (<i>note</i>)

Note: if the landlord shall resolve to redevelop the premises or the building of which the premises form part by demolition, rebuilding or otherwise either solely or jointly with the owner or owners of the building, the landlord shall be entitled to give not less than six months’ notice in writing to terminate the tenancy.

Both the Main Office and the Existing Warehouse were rented from connected persons of our Group, details of which are also set out in the section headed “Connected Transactions” of this prospectus.

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EMPLOYEES

As of the Latest Practicable Date, our Group has in total 135 full-time employees and during the Track Record Period we did not experience any substantial changes in our employee number for our operating structure. Our Group has in place a commission scheme for our frontline employees under which commission is calculated based on their position and performance. As such, salespersons are entitled to commission upon actual sales achievement and managers of sales teams are entitled to commission with reference to the actual profit contribution performance of the operation under their supervision. The amount of commission paid or payable to our employees during the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was approximately HK\$5.7 million, HK\$8.3 million, HK\$9.0 million and HK\$4.2 million, respectively.

We provide thorough training to new employees, especially for retail staff, which includes product knowledge, sale technique, retail management, customer service and product display. We also provide further training to our sales staff on product knowledge from time to time when new products are launched. Since April 2015, we set up a dedicated training team to provide training to our staff on customer service. The relationship and cooperation between our management and employees have been good and are expected to remain strong in the future. For further details of our management and employees, please refer to the section headed “Directors, Senior Management and Employees”.

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, we have no significant problem with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

INFORMATION SYSTEM

We currently implement an ERP System (Flex) which integrated with a POS System to manage sale orders and inventory movement of our retail sales and utilise a separate accounting system purchased from the same system developer for book keeping purpose. Unique user IDs have been assigned to individual staff or a group of staff, such as our warehouse staff, salespersons, purchasing staff and information system staff, etc, with varied access rights. Access right control is tightly managed in accordance with employees’ different grading, department and needs. Our products’ retail price and discount rate approved by management are updated in the POS System. Our management is able to manage and review various aspects of our business including pricing of our products, discount policy, inventory and sales performance through the ERP system.

INSURANCE

We maintain a number of general insurance policies which include general accident insurance on the assets in our office, warehouse, retail stores against robbery, burglary, fire and flooding. We also maintain other insurances to protect ourselves from unexpected operation risks, for example, public liability insurance, product liability insurance, employees’ compensation insurance and employee travel insurance and vehicle insurance. We have also procured marine insurance for all cargo shipment from suppliers or

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manufactures to our Group which are not on CIF terms. In view of the small amount and value of road cargo and the lower risk involved, so far no insurance has been taken out for road cargo.

During the Track Record Period, no material claim has been made by our Group under any of the insurance policies taken out by our Group.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, our Group did not engage in any research and development activity nor incurred any research and development expenses.

LICENCES AND PERMITS

Our Group has obtained all approvals, permits, consents, licenses and registrations required for our business and operations and all of them are in full force and effect and have not experienced any failure in applying for the renewal of our respective operation licenses during the Track Record Period and up to the Latest Practicable Date.

COMPLIANCE AND LEGAL PROCEEDINGS

(a) Change of use of Hunghom store, Yuen Long store and Existing Warehouse

During the Track Record Period, the usage of certain area of our Hunghom store, Yuen Long store and the Existing Warehouse may not conform with the users set out in the respective occupation permits of the building, in that (i) the 1st and 2nd floors of the Hunghom store are designated for “restaurant” use in the occupation permit, (ii) the 12th floor of the Yuen Long store is designated for “restaurant, kitchen and ancillary accommodation” and the Penthouse of the Yuen Long store is designated for “lounge and ancillary accommodation” use in the occupation permit and (iii) the 1/F to 9/F of the Existing Warehouse are designated for factory use under the occupation permit. We have obtained counsel opinion that: (i) under the October 2015 revision of the Code of Practice for Fire Safety in Buildings 2011 (the “Code”) issued by the Buildings Department, it is stated that “a change in one Use Classification to another is considered as a “material change in use” under section 25 of the Buildings Ordinance (Cap.123)”; (ii) based on the Code, (1) for the Hunghom store and Yuen Long store, the use as a retail shop and the use as designated under the relevant occupation permits (i.e. restaurants and lounges) belong to the same sub-classification (Mercantile facilities) and (2) for the Existing Warehouse, factory use and use as warehouse are under the same classification (industrial); and (iii) based on the Code, there is no material change of use of these premises, and as such there is no non-compliance on land use in relation to the Hunghom store, Yuen Long store and Existing Warehouse.

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For our Hunghom store, our Directors believe that the change in use had been effected for a minimum of 28 years, as the prospectus of HKDN dated 16 May 1988 (please refer to the section headed “History and Corporate Structure – History and Development” of this prospectus) already disclosed the Hunghom store was then a showroom. Furthermore, in 2012, we have obtained a legal opinion where our legal advisors were of opinion that the use of the 1st and 2nd floors as retail shop is not likely to be regarded as a material change in use and that no approval from the Lands Department is required for such change in use. We have not received any notice or order from any government authority requiring us to discontinue (prior to its closure in July 2017) the use of the Hunghom store.

Similarly, in view of the legal opinion obtained in 2012, as the change in use of the Yuen Long store from “restaurant, kitchen and ancillary accommodation” and “lounge and ancillary accommodation” to “retail shop” is similar to the change in use of the Hunghom store as disclosed above, our Directors believe that the change in use of the Yuen Long store does not constitute material change in use under section 25 of the Buildings Ordinance and that no approval from the Lands Department is required for such change. We have not received any notice or order from any government authority requiring us to discontinue the use of the Yuen Long store.

For the Existing Warehouse, our Directors believe that the change in use has been effected for a minimum of 15 years. Our Directors believe the change in use from “factory” use to “warehouse” does not constitute material change in use under section 25 of the Buildings Ordinance and that no approval from the Lands Department is required for such change in use. We have not received any order or notice from any government authority requiring us to discontinue our use of the Existing Warehouse.

(b) User of New Warehouse

The tenancy of the Existing Warehouse will expire on 31 March 2018 and will not be renewed as the landlord intends to revitalise the building. Therefore, we rented from an independent third party a new warehouse in Tuen Mun, the tenancy of which will commence on 1 March 2018. For details of the rental arrangement of the New Warehouse, please refer to the section headed “Business – Properties Leased by Our Group”. The user of the 4th, 5th and 12th floors of the building set out in the occupation permit are “workshop, store rooms and ancillary accommodation” use. We have sought confirmation from our legal advisor prior to signing of the tenancy agreement that the use of these floors as warehouse is not a breach of the occupation permit. Our Group further have obtained counsel opinion in this respect and the counsel is of the view that for the same reason applicable to the Existing Warehouse (i.e. under the Code, factory use and use as warehouse are under the same classification (industrial), therefore there is no material change of use of the premises) there is no breach of section 25(1) of the Building Ordinance (Cap.123) and there is no non-compliance on land use.

(c) Fire safety directions of Hunghom store

The Fire Services Department issued a notice to the owners and occupiers of Wei King Building, the building in which our Hunghom store was located, dated 2 October 2015 that it will conduct an inspection of the building in November 2015 for assessment of the

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building to comply with current fire safety regulations. A Fire Safety Direction dated 4 November 2016 was issued to Ulferts Far East (as the occupier) directing it to provide or improve the fire service installations and equipment as follows before 4 November 2017:

- (i) unless already installed as part of the building's fire protection system, the installation of an emergency lighting system in accordance with the Code of Practice for Minimum Fire Service Installations and Equipment 1994;
- (ii) automatic cut-off devices in accordance with the said Code for the mechanical ventilating system installed, but only if the system does not serve other separately occupied areas of the building for non-domestic use and the system is of certain capacity.

We were informed by the landlord that it has also received, in respect of the Hunghom store and other premises of Wei King Building that it owns, (i) Fire Safety Directions dated 4 November 2016 issued by the Director of Fire Services directing it to provide or improve certain fire service installation and equipment as set out therein before 4 November 2017 and (ii) separate Fire Safety Directions dated 28 December 2016 issued by the Buildings Department requiring the compliance of certain fire safety regulations set out therein before 28 December 2017.

All the above mentioned Fire Safety Directions were issued under the Fire Safety (Buildings) Ordinance (Cap 572 of the Laws of Hong Kong), which purpose, as mentioned in the said notice of the Fire Services Department, is to improve the fire safety measures of composite buildings and domestic buildings completed before 1987, and Wei King Building fell into such category of composite buildings.

We have obtained counsel opinion that since we have terminated the tenancy agreement in respect of the Hunghom store and was to vacate it before 1 August 2017, our Group should not be responsible to comply with the Fire Safety Direction issued to Ulferts Far East as occupier.

(d) Unauthorised building works of Hunghom store

As mentioned above, the Group had been in occupation of the Hunghom store as a tenant for many years and there may be structures of or in the Hunghom store that are unauthorised building works. We have obtained counsel opinion on the assumption there were unauthorised building works, that:

- (i) the immediate consequence of a breach of the provisions against unauthorised building works is that the Buildings Authority may serve and register at the Land Registry a notice or order against the owner of the land under the Buildings Ordinance.
- (ii) as we are not owners, we cannot be served with such an order under the Buildings Ordinance.

BUSINESS

Therefore, even if there are any unauthorised building works in the Hunghom store during the time when we were tenant, the Directors are of the view that our Group is not subject to any non-compliance in relation to such matters. In any event, we have not received any building order or notice from any government department against us alleging unauthorised building works in the Hunghom store. Pursuant to the termination agreement dated 7 June 2017 in respect of the Hunghom store, the landlord and the tenant has released each other from their respective rights and obligations in the tenancy agreement with effect from 1 August 2017. Therefore, our Group does not have any obligations or liability to the landlord in respect of any unauthorised building works in the Hunghom store.

(e) Incident of an investigation by the Hong Kong Customs and Excise Department

We received notice from the Customs and Excise Department (“C&E”) in October 2016 that a model of elevated bed that we sold in our Ulferts store may have breached the Toys and Children’s Products Safety Ordinance. During an interview with a representative of our Group in January 2017, we were advised that it was suspected that the bed failed to provide the prescribed safety warning and information under the Consumer Goods Safety Ordinance. In light of the investigation, our Group has obtained counsel opinion that the maximum penalty on first conviction is a fine of HK\$100,000 and imprisonment for one year; and on subsequent conviction, a fine of HK\$500,000 and imprisonment for two years, but since the testing conducted by C&E did not have finding that indicating the bed itself is unsafe and the Group has no prior conviction, it is unlikely that the maximum fine or penalty and (in the event any prosecution and conviction of our directors) it is highly unlikely that imprisonment will be imposed in the event of prosecution and conviction.

We have no previous conviction and no proceedings have been issued against us in respect of the matters under such investigation as at the Latest Practicable Date. The counsel opinion has further advised that the time limit of prosecution is within three years after the commission of an offence or within 12 months after the first discovery thereof whichever period expires first. In the premises, in any event prosecution for offence, if any, under the said investigation has become time barred. We have subsequently provided the prescribed safety warning and information with the packaging of the product and the C&E notified us in December 2017 that the restriction on removal of the goods from storage has been rescinded and we have resumed sales of the product. The total inventory value of the products was approximately HK\$36,000 as at the Latest Practicable Date.

General

Save as disclosed above, our Group is in material compliance of laws and regulations applicable to our business. No member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL MEASURES FOR LEGAL AND LISTING RULES COMPLIANCE

Our Group has adopted internal control and risk management procedures, systems and controls, including accounting and internal audit policies and legal compliance measures. In particular, we have taken the following measures to ensure compliance with the applicable laws and regulations and the Listing Rules:

- (a) We have formed the Corporate Governance Committee on 8 January 2018, which will oversee our Group's compliance matters in accordance with advices from independent professional advisers engaged on a case by case basis where applicable.
- (b) We have also formed the Audit Committee on 8 January 2018, which will establish formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.

The Board considered the foregoing measures are sufficient and effective to ensure our compliance with the applicable laws and regulations in the future. Our Directors and senior management would monitor the policies and internal reports on a regular basis which will be reviewed by our audit committee and external auditors.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business, and consists of seven Directors including four executive Directors and three independent non-executive Directors. We have entered into service agreements with each of our executive Directors and letters of appointment with each of our independent non-executive Directors.

The following table sets forth certain information in respect of members of our Board.

Name	Age	Position	Date of joining the Group	Date of appointment as Director	Main duties	Relationship with other Directors or senior management
WONG Chi Fai (黃志輝)	61	Executive Director and Chairman	31 May 1992	27 June 2012	Overseeing the financial management and advising on the business strategic planning and development of our Group	N/A
NG Koon Keung, Ricky (吳冠強)	49	Executive Director and Chief Executive Officer	6 January 2014	1 May 2014	Overall management of our Group and planning our Group's business and strategies	N/A
MOK Fung Lin, Ivy (莫鳳蓮)	53	Executive Director and Chief Operating Officer	1 July 2011	27 June 2012	Business operational management and policy implementation	N/A
FAN Man Seung, Vanessa (范敏嫻)	55	Executive Director	7 July 1992	27 June 2012	Overseeing the overall corporate and advising on the business strategy of our Group	N/A
CHIU Kin Fai (招健暉)	44	Independent Non-Executive Director	8 January 2018	8 January 2018	Chairman of Nomination Committee	N/A
NG Hoi Yue (伍海宇)	53	Independent Non-executive Director	8 January 2018	8 January 2018	Chairman of Remuneration Committee	N/A
CHAN Yee Man (陳綺雯)	44	Independent Non-executive Director	8 January 2018	8 January 2018	Chairman of Audit Committee	N/A

Executive Directors

Mr. Wong Chi Fai(黃志輝), aged 61, is an executive Director and the Chairman of the Board. He has been involved in the management of our Group since May 1992. Mr. Wong has been a director of Ulferts Far East from May 1992 until April 2006. From April 2006 to May 2012, Mr. Wong participated in the management of our Group as corporate representative of the corporate directors of Ulferts Far East, AY Management and Global Gold. Mr. Wong was re-appointed as director of Ulferts Far East, on 7 May 2012 and was also appointed as Director on 27 June 2012. He is a member of the Remuneration Committee of the Company. Mr. Wong is responsible for overseeing the financial management and advising on the business strategic planning and development of our Group.

Mr. Wong is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since October 1981 and a fellow of the Chartered Association of Certified Accountants since May 1987. Having over 30 years of experience in finance and management, Mr. Wong has diversified experiences ranging from manufacturing to

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

wholesaling and retailing of furniture, property investment and development, hotel and hospitality, watch and jewellery retailing financial and securities services, artiste management, entertainment production and investment, media and publication as well as cinema development and operation. He is also the joint managing director of Emperor International (stock code: 163), an executive director of Emperor E Hotel (stock code: 296), Emperor W&J (stock code: 887) and Emperor Culture (stock code: 491), all companies are listed on the Main Board of the Stock Exchange and being associated corporations of the Company. He was also an executive director of Evergrande Health Industry Group Limited (formerly known as New Media Group Holdings Limited) (stock code: 708) from 11 October 2007 to 27 March 2015.

Save as disclosed above, Mr. Wong has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does he hold any other positions with our Company and other members of our Group (other than being director of some of the subsidiaries of the Company) in the past three years immediately preceding the date of this prospectus.

Mr. Wong is not related to any other directors, senior management, substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Mr. Wong which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. NG Koon Keung, Ricky (吳冠強), aged 49, is an executive Director and the chief executive officer of our Group. Mr. Ricky Ng joined our Group on 6 January 2014 and was appointed as a Director on 1 May 2014. He is responsible for overall management of our Group and planning our Group's business and strategies.

Mr. Ricky Ng holds a Bachelor of Business Administration awarded by Hong Kong Baptist College (now Hong Kong Baptist University) in December 1992. He also holds a Degree of Master of Management in Marketing Management and a Degree of Master of Business Administration awarded by Macquarie University, Sydney Australia in November 2002 and July 2004 respectively. He has over 20 years' experience in retail, product planning, operation, marketing and business development and was employed by well-known retail brands in telecommunication and consumables goods and luxury accessories in Hong Kong. He joined TSL Jewellery (H.K.) Co. Ltd. in August 2009 as general manager (Hong Kong, Macau and Malaysia) and was Director of Sales and Business Development (HK and Overseas) when he left in January 2014. He was Assistant Vice President, Channel Marketing at PCCW Limited from October 2006 to March 2009.

Save as disclosed herein, Mr. Ricky Ng has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does he hold any other positions with our Company and other members of our Group (other than being chief executive officer of our Group and director of some of the subsidiaries of our Company) in the past three years immediately preceding the date of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Ricky Ng is not related to any other directors, senior management, substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Mr. Ricky Ng which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Ms. Mok Fung Lin, Ivy (莫鳳蓮), aged 53, is an executive Director and the chief operating officer of our Group. Ms. Ivy Mok joined our Group in July 2011 and was appointed as a Director on 27 June 2012. Ms. Ivy Mok is responsible for our business operational management (including overseeing the operations of wholesale since November 2012) and policy implementation in our Group. She is the Company Secretary of our Company.

Ms. Ivy Mok was admitted as a solicitor in Hong Kong in September 1990 and in the United Kingdom in April 1992, and holds a Bachelor of Laws Degree awarded by The University of Hong Kong in 1987. She also holds a Degree of Master of Business Administration awarded by The Hong Kong University of Science and Technology in November 1999. Before joining our Group Ms. Ivy Mok was a director of Emperor International (stock code: 163) and its subsidiaries, including Emperor E Hotel (stock code: 296) from February 2000 to July 2011 and has accrued over 15 years' experience in corporate management and possesses experience in businesses including property investment and development, retailing, wholesaling, marketing and trading in Hong Kong.

Save as disclosed herein, Ms. Ivy Mok has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does she hold any other positions with our Company and other members of our Group (other than being chief operating officer of our Group and director of some of the subsidiaries of our Company) in the past three years immediately preceding the date of this prospectus.

Ms. Ivy Mok is not related to any other directors, senior management, substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Ms. Ivy Mok which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Ms. Fan Man Seung, Vanessa (范敏嫦), aged 55, is an executive Director. She has been involved in the management of our Group since July 1992. Ms. Fan had been a director of Ulferts Far East from July 1992 until March 2004. From April 2006 to May 2012, she was the corporate representative of AY Management and Global Gold, the corporate directors of Ulferts Far East, responsible for overseeing the overall corporate and advising on the business strategy of our Group. She is the Chairperson of the Corporate Governance Committee and a member of the Nomination Committee of the Company. Ms. Fan was appointed as a Director on 27 June 2012.

Ms. Fan was admitted as a lawyer in Hong Kong in August 1988 and a fellow of the Association of Chartered Certified Accountants since September 2007. She also holds a Degree of Master of Business Administration awarded by the Asia International Open

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

University (Macau) in May 1995. Ms. Fan is currently a director and responsible officer of Emperor Capital and is licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities of the SFO. Emperor Capital is one of the Joint Sponsors, and is a subsidiary of Emperor Capital Group. Ms. Fan is also a responsible officer for type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities of the SFO. Besides having over 28 years of experience in corporate management, she possesses diversified experience in wholesaling and retailing of furniture, property investment and development, hotel and hospitality, watch and jewellery retailing, financial and securities operations, artiste management, entertainment production and investment, media and publication as well as cinema development and operation. She is also the joint managing director of Emperor International (stock code: 163), an executive director of Emperor E Hotel (stock code: 296), Emperor W&J (stock code: 887), and Emperor Culture (stock code: 491), all being associated corporations of the Company. She was also an executive director of Evergrande Health Industry Group Limited (formerly known as New Media Group Holdings Limited) (stock code: 0708) from 11 October 2007 to 27 March 2015.

In November 2001, the SFC publicly reprimanded Ms. Fan, a former responsible officer of Emperor Securities, impugning Ms. Fan's fitness and properness for failing to (i) make sufficient inquiry in respect of the independence of prospective subscribers of shares in the initial public offering of a company listed in July 1998; and (ii) provide the SFC with detailed and accurate information during its investigation into an initial public offering. In SFC's decision, the SFC acknowledged Ms. Fan's previous clear record and her commitment to ensure the failings identified are not repeated. Save as disclosed herein, the SFC has not made any other public reprimand against Ms. Fan.

A civil action was commenced in August 2005 against various defendants including Ms. Fan and Ms. Ivy Mok, both of whom were former directors of the two defendant companies. The plaintiff alleged wrongful termination of a sublicence agreement by one of the defendant companies and civil conspiracy amongst the directors of the defendant companies in respect of the termination of the sublicence agreement. The defendants filed defence in 2005 and the action has remained dormant since December 2005.

Save as disclosed above, Ms. Fan has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does she hold any other positions with the Company (other than being a director of a subsidiary of the Company) and other members of the Group in the past three years immediately preceding the date of this prospectus.

Our Directors (including the independent non-executive Directors but excluding Ms. Fan herself) and the Joint Sponsors consider that Ms. Fan is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules as she possesses the experience, knowledge and skill as well as the character to be a director of the Company.

As at the Latest Practicable Date, Ms. Fan is interested in 10,500,000 shares (representing about 0.29%) of Emperor International, which is an associated corporation of the Company within the meaning of Part XV of the SFO.

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Ms. Fan is not related to any other directors, senior management, substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Ms. Fan which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Independent non-executive Directors

Mr. CHIU Kin Fai (招健暉), aged 44, was appointed as an independent non-executive Director on 8 January 2018.

Mr. Chiu was admitted as a solicitor in Hong Kong in October 1998, and holds a Bachelor of Laws Degree awarded by The University of Hong Kong in November 1995. Mr. Chiu joined T.H. Koo & Associates, a solicitors firm, in October 1998 and became a partner of the said firm since 2003 up till now.

Save as disclosed above, Mr. Chiu does not hold any position with the Company and other members of the Group and did not hold any directorships in the last three years in other listed companies in Hong Kong or overseas. Mr. Chiu is not related to any other directors, senior management or substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Mr. Chiu which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Ng Hoi Yue (伍海于), aged 53, was appointed as an Independent non-executive Director on 8 January 2018.

Mr. Ng is a fellow member of The Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was practising as a certified public accountant in Hong Kong from June 1989 under the trade name of Herman H. Y. Ng & Co. until 2011. Since 2011, he has been practising under the name of Herman H. Y. Ng.

Mr. Ng is currently an executive director of Asian Citrus Holdings Limited (stock code: 0073), an independent non-executive director of Emperor Culture (stock code: 0491) and Imperial Pacific International Holdings Limited (stock code: 1076), the shares of which are listed on the Stock Exchange. He was an independent non-executive director of Landing International Development Limited (stock code: 582) between 26 November 2010 and 2 October 2013, the shares of which are listed on the Stock Exchange.

Save as disclosed above, Mr. Ng does not hold any position with the Company and other members of the Group and did not hold any directorships in the last three years in other listed companies in Hong Kong or overseas. Mr. Ng is not related to any other directors, senior management or substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Mr. Ng which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Chan Yee Man (陳綺雯), aged 44, was appointed as an independent non-executive Director on 8 January 2018.

Ms. Chan was practising as a certified public accountant in Hong Kong from 2003 under her own name until March 2006, and since March 2006, under the trade name of Carman Y. M. Chan & Co. She holds a Bachelor of Accounting Degree awarded by The University of Hong Kong in December 2002, and a Master of Corporate Finance Degree awarded by The Hong Kong Polytechnic University in November 2010. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of The Taxation Institute of Hong Kong and has over 25 years of experience in the accounting profession.

Ms. Chan does not hold any positions with the Company and other members of the Group and did not hold any directorships in the last three years in other listed companies in Hong Kong or overseas. Ms. Chan is not related to any other directors, senior management or substantial or Controlling Shareholders of the Company.

Save as disclosed herein, there are no other matters in relation to Ms. Chan which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information concerning our Group's senior management.

Name	Age	Position	Date of Joining	Date of Appointment	Main duties	Relationship with Directors or other senior management
Tam Kim Ching, Joseph (譚劍青)	56	Sales Director	1 April 1984	1 April 2007	Overseeing the retail and procurement divisions of our Group	N/A
Fung Siu Ming, Gary (馮紹明)	52	Business Director	9 May 2005 (first joining)	9 May 2005	Overseeing the business development and operation of the Special Projects division of our Group	N/A
Cheng Siu Ling (鄭少玲)	48	Marketing Director	19 February 2013	19 February 2013	Overseeing the direction and implementation of the marketing strategy	N/A

Mr. Tam Kim Ching, Joseph (譚劍青), aged 56, is the sales director of our Group. Mr. Tam joined our Group in 1984 and was promoted to general manager in our retail division in September 2003 and then to his present position as sales director in April 2007. He is responsible for overseeing the retail and procurement divisions of our Group, including management of the retail stores and procurement of products. Mr. Tam has rich experience in European furniture and local customer taste and had gained excellent relationship with major European suppliers over the years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Fung Siu Ming, Gary (馮紹明), aged 52, is our business director and is responsible for overseeing the business development and operation of the Special Projects division of our Group. Mr. Fung first joined the Group in 2005 in such position but left for a period of about 12 months from March 2007 and then re-joined our Group in March 2008. Prior to joining our Group, Mr. Fung had over eight years' experience in different businesses ranging from media, sales and marketing to property consultancy. Mr. Fung joined Hong Kong Standard, an English-language newspaper publisher in Hong Kong, in 1994 and was promoted to advertising sales manager in 1995 and then senior advertising manager in 1996 until he left in 1999. From 2001 to 2002, Mr. Fung was employed by Sing Pao Newspaper Management Ltd., a Chinese-language newspaper publisher in Hong Kong, as senior sales manager. He was the business director of Hong Kong Daily News, another Chinese-language newspaper publisher, from 2003 to 2004.

Ms. Cheng Siu Ling (鄭少玲), aged 48, is our marketing director and is responsible for overseeing implementation of the marketing strategy, including brand development. She holds a Degree of Bachelor of Business awarded by University of Southern Queensland in July 1992. Before joining our Group, she worked in a leading fitness and beauty brand operating a chain of centres as marketing executive from November 1992 and was promoted to the position of marketing manager in June 1994 until she left in May 2010. She has over 20 years' experience in sales and marketing and customer relationship.

None of our senior management has directorships in listed companies during the Track Record Period.

COMPANY SECRETARY

Ms. Ivy Mok is our Company Secretary as appointed pursuant to Rule 8.17 of the Listing Rules. For details of Ms. Ivy Mok's background, please refer to the sub-section headed "Executive Directors" in this section.

EMPLOYEES

As of the Latest Practicable Date, our Group has a total of 135 full-time employees. The following table sets forth a breakdown of our employees by functions as of such date:

Functions	Number of employees
Management	2
Accounts and Information Technology	7
Training, Customer Service and After Sales Services	3
Human Resources and Administration	4
Marketing and Visual Merchandising	8
Procurement	6
Sales Administration	9
Sales	68
Logistics and Warehouse	28

135

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Track Record Period, our Group has not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

We also provide internal training program to our employees from time to time. The training program includes product knowledge, sale technique, retail management, customer service and product display so as to increase our employees' sense of belonging to our Group and enhance our effectiveness in operation. We will continue to offer training on industry knowledge and provide updated market information to our employees.

CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules in accordance with the applicable Listing Rules.

BOARD COMMITTEES

Audit Committee

Our Company has established its Audit Committee on 8 January 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. The Audit Committee has three members comprising all the independent non-executive Directors of the Company, namely Mr. Chiu Kin Fai, Mr. Ng Hoi Yue and Ms. Chan Yee Man. Ms. Chan Yee Man is the chairperson of the Audit Committee.

Remuneration Committee

The Company established a Remuneration Committee on 8 January 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration Committee are making recommendation to the Board on the Company's policy and structure for the remuneration of directors and senior management, reviewing and making recommendations to the Board on the directors' fee and remuneration packages of directors. The remuneration committee has three members comprising two independent non-executive Directors and an executive Director, namely Mr. Ng Hoi Yue, Ms. Chan Yee Man and Mr. Wong Chi Fai. Mr. Ng Hoi Yue is the chairman of the Remuneration Committee.

Nomination Committee

The Company established a Nomination Committee on 8 January 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Nomination Committee include identifying potential candidates for directorship, reviewing the nomination of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments. The nomination committee has three

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

members comprising two independent non-executive Directors and an executive Director, namely Mr. Chiu Kin Fai, Ms. Chan Yee Man and Ms. Fan Man Seung, Vanessa. Mr. Chiu Kin Fai is the chairman of the Nomination Committee.

Corporate Governance Committee

The Company established a Corporate Governance Committee on 8 January 2018 with written terms of reference. The major responsibilities of Corporate Governance Committee include reviewing the corporate governance practice and disclosure systems of the Company and introducing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Corporate Governance Committee has five members comprising an executive Director of the Company, namely Ms. Fan Man Seung, Vanessa, two independent non-executive Directors, namely Mr. Chiu Kin Fai and Mr. Ng Hoi Yue, a representative from company secretarial function and a representative from finance and accounts function. Ms. Fan Man Seung, Vanessa is the chairperson of the Corporate Governance Committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations (including fees, salaries, contributions to pensions, discretionary bonus and other allowances) paid to our Directors in aggregate for the years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017 were approximately HK\$4.1 million, HK\$4.0 million, HK\$4.0 million and HK\$1.4 million respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

Pursuant to the service agreements entered into between our Company and our executive Directors (which are for an initial term of three years), each executive Director is entitled to a fixed annual fee of HK\$150,000 for his/her service in the office of executive Director. Pursuant to the letters of appointment entered into between the Company and the independent non-executive Directors (which are for an initial term of three years), each independent non-executive Director is entitled to a fixed annual fee of HK\$180,000.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the relevant Directors and senior management and performance of our Group.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the purpose of which is to provide incentives to the relevant participants to contribute to our Group and to enable our Group to recruit high-calibre employees and attract human resources that are valuable to our Group. The principal terms of such scheme are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Octal 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 repurchases;
- (c) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under rule 13.10 of the Listing Rules.

In addition, the compliance adviser will also provide, inter alia, the following services to us:

- (a) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (a) to (d) above;
- (b) provide guidance and assistance with due care and skill to the Company on continuing compliance with the Company’s obligations under the Listing Rules, the Hong Kong Codes on Takeovers and Mergers and Share Repurchases as amended from time to time and all other applicable laws, rules, codes and guidelines; and
- (c) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a Director of the Company, and, to the extent the compliance adviser forms an opinion that the new appointees’ understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

The terms of the appointment shall commence on the Listing Date and end on the date which our Company distributes the annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

Our Company does not have authorised share capital and our Shares have no par value. The table below is prepared on the basis of the Share Offer becoming unconditional. It takes no account of the allotment and issue of Shares upon the exercise of any options that have been or may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as described below.

As at the date of this prospectus, our Company's issued and paid-up share capital was HK\$6,065,275.59 comprising 600,000,000 Shares in Issue.

The following is a description of the number of issued Shares of our Company as at the date of this prospectus and immediately after completion of the Share Offer:

Issued and to be issued and fully paid

600,000,000	Shares in issue as at the date of this prospectus
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer
<u>800,000,000</u>	Total

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the issued Shares of our Company must at all times be held by the public. We must therefore maintain the minimum public float of 25% of our Company's issued Shares in the hands of the public upon Listing and at all times thereafter.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares in issue on the date of allotment and issue of such Shares, and will qualify for all dividends or other distributions declared, made or paid on the Shares after allotment and issue.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

The Directors have been conditionally granted the Issuing Mandate being a general unconditional mandate to allot, issue and deal with Shares with a total number of Shares that is not more than the sum of:

1. 20% of the total number of Shares in issue immediately following completion of the Share Offer; and
2. the total number of Shares repurchased by the Company (if any) pursuant to the Repurchase Mandate (as referred to below).

SHARE CAPITAL

The Directors may, in addition to Shares which they are authorised to issue under the Issuing Mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of dividend in accordance with the Articles of Association, or on the exercise of options which may be granted under the Share Option Scheme.

This Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of the Company’s next annual general meeting; or
- at the expiry of the period within which the Company is required by its Articles of Association, the Companies Ordinance or any other applicable laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting.

For further details of this Issuing mandate, please refer to the paragraph headed “Written resolutions of the sole Shareholder passed on 8 January 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been conditionally granted the Repurchase Mandate being a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total number of Shares not more than 10% of the total number of Shares in issue immediately following completion of the Share Offer.

This Repurchase Mandate only relates to repurchases 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. The information required by the Listing Rules concerning the Repurchase Mandate is set out in the paragraph headed “Repurchases of our own securities” in Appendix IV to this prospectus.

This Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our Company’s next annual general meeting; or
- at the expiry of the period within which our Company is required by its Articles of Association, the Companies Ordinance or any other applicable laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Company’s shareholders in general meeting.

For further details of this Repurchase Mandate, please see the paragraph headed “Written resolutions of the sole Shareholder passed on 8 January 2018” in Appendix IV to this prospectus.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer (without taking into account any Shares that may be issued under the Share Option Scheme), the following persons (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/Nature of Interest	Number of Shares or Underlying Shares (Note 1)	Approximate percentage of shareholding interest
Ulferts Holdings	Legal/beneficial owner	600,000,000 L	75%
AY Holdings	Interest in controlled corporation (Note 2)	600,000,000 L	75%
STC International	Trustee (Note 3)	600,000,000 L	75%
Dr. Albert Yeung	Settlor of a discretionary trust (Note 3)	600,000,000 L	75%
Ms. Luk	Interest of spouse (Note 4)	600,000,000 L	75%

Notes:

- 1 The letter "L" denotes to the person with long position in the Shares.
- 2 The entire issued share capital of Ulferts Holdings is held by AY Holdings, which in turn is held by STC International as trustee of AY Discretionary Trust. AY Holdings is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings.
- 3 STC International and Dr. Albert Yeung are the trustee and settlor of the AY Discretionary Trust respectively. By virtue of the SFO, each of STC International and Dr. Albert Yeung is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings.
- 4 Ms. Luk is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings by virtue of the deemed interest held by her spouse, Dr. Albert Yeung.

Except as disclosed above, the Directors are not aware of any person (who is not a Director or a chief executive of our Company) who will, immediately following the allotment and issue of the Offer Shares and without taking into account the Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS

of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

RESTRICTIONS ON DISPOSAL OF SHARES

Under Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Company, the Stock Exchange, the Lead Manager and the Underwriters that they will not at any time:

- (a) in the First Six-Month Period dispose of, nor 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 they are shown by this prospectus to be the beneficial owners; or
- (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of their Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a Controlling Shareholder of our Company.

Each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that during the First Six-Month Period and the Second Six-Month Period:

- (a) if he/she/it pledges or charges any securities of our Company beneficially owned by him/her/it in favour of an authorised institution, he/she/it shall immediately give written notice to our Company of such pledge or charge together with the number and class of securities so pledged or charged and the purpose for which the pledge or charge is made; and
- (b) when he/she/it is aware of or receives indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities or interests in the securities of our Company will be disposed of, he/she/it shall immediately thereafter give written notice to our Company of such indications.

Our Company will inform the Stock Exchange immediately of the aforesaid pledges, charges or the said indications and publish an announcement thereof in accordance with the Listing Rules as soon as possible upon receipt of the notification from any of our Controlling Shareholders.

Further details of undertakings given by our Controlling Shareholders are set out under the section headed “Underwriting” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDER

Details of the shareholdings of our Controlling Shareholders are set forth in the section headed “Controlling and Substantial Shareholders” above and the section headed “Further information about Directors and Substantial Shareholders” in Appendix IV to this prospectus.

COMPETING INTEREST

Our Controlling Shareholders do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

The Covenantors have entered into the Deed of Non-Competition, pursuant to which each of the Covenantors has irrevocably and unconditionally undertaken to and covenanted with our Company (for itself and for the benefit of the members of our Group) that during the continuation of the Deed of Non-Competition each of the Covenantors shall not, and shall procure each of his/its close associates will not, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise, involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to wholesale and retail of furniture, mattress and other bedroom items, provision of services covered by Special Projects and businesses ancillary to any of the foregoing) in Hong Kong and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”) except for the holding of not more than 5% shareholding interests in any listed company. Each of the Covenantors has represented and warranted to our Company that none of the Covenantors nor his/its close associates (other than any member of our Group) is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Pursuant to the Deed of Non-Competition, each of the Covenantors has also undertaken that if such Covenantor and/or any of his/its close associates (other than any member of our Group) is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly in any event within seven (7) Business Days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than any member of our Group).

The Directors (including the independent non-executive Directors) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of our desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) days of receipt of notice from the relevant Covenantor, such Covenantor and/or his/its close associates (other than any member of our Group) shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord.

In addition, each of the Covenantors has also undertaken, upon Listing:

- (i) to provide our Company and our Directors (including our independent non-executive Directors) from time to time with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-Competition and the enforcement of the non-competition undertakings in the Deed of Non-Competition;
- (ii) to allow our Directors (including our independent non-executive Directors), their respective representatives and the auditors to have sufficient access (with reasonable prior notice) to the records of the Covenantor and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-Competition; and
- (iii) abstain from voting at any general meeting of our Company for consideration and approval of the matters referred to in the Deed of Non-Competition if there is any actual or potential conflict of interests.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its close associates (other than any member of our Group), individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not solicit or interfere with or enticing any existing or then existing employee, customers or suppliers of our Group for employment by his/its own business (excluding our Group); and
- (ii) he/it will not, without the consent from our Company, make use of any information pertaining to the business of our Group (other than those information that has been published by our Company by way of announcements or public disclosure) which may have come to his/its knowledge in his/its capacity as our Controlling Shareholder for any purposes.

The Deed of Non-Competition will take effect upon Listing and shall expire on the earlier of:

- (i) the day on which our Shares cease to be listed on the Main Board; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) the day on which the Covenantors and his/its close associates (other than any member of our Group), individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder or cease to have power to control the Board or there is at least one other independent Shareholder other than the Covenantors and his/its close associates (other than any member of our Group) holding more Shares than the Covenantors and his/its close associates (other than any member of our Group) taken together.

In order to strengthen the corporate governance in respect of any existing and potential conflict of interests between our Group and the Covenantors, upon Listing:

- (i) our Company shall disclose in the annual reports the compliance and enforcement of the undertakings by the Covenantors under the Deed of Non-Competition and the appropriate action to be taken by our Company;
- (ii) our Company shall disclose the details and basis of decisions on matters reviewed by the independent non-executive Directors in relation to the compliance and enforcement of the arrangement in respect of the New Business Opportunity in our annual reports;
- (iii) when any of the executive Directors become aware of potential conflict of interests between our Group and the Covenantors relating to the business of our Group, such executive Directors shall alert our Board, including the independent non-executive Directors, to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules and to take any necessary actions;
- (iv) in the event that any of our Directors and/or his/her close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition or other proposed transactions in which such Director and/or his/her close associates have material interest, such Director would, according to the Articles or the Listing Rules, be required to declare his/her interests and, where required, abstain from participating in the relevant board meeting and voting on the transaction and not count as quorum where required; and
- (v) where advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including our independent non-executive Directors), the appointment of such independent professional will be made at our Company's expenses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Prior to Listing, Ulferts Holdings is the beneficial owner of 100% interests of the issued share capital of our Company. Ulferts Holdings is held by AY Holdings, which in turn is wholly-owned by STC International acting as trustee of AY Discretionary Trust. Dr. Albert Yeung is the founder and settlor of AY Discretionary Trust and the eligible

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

beneficiaries of AY Discretionary Trust are family members of Dr. Albert Yeung. Upon Listing, the shareholding of Ulferts Holdings in the Company (being 600,000,000 Shares) shall represent 75% of the issued Shares of the Company immediately following the allotment and issue of the Offer Shares. As such, Dr. Albert Yeung is a Controlling Shareholder of our Company deemed to be interested in 600,000,000 Shares upon Listing.

Dr. Albert Yeung, being the founder of AY Discretionary Trust, is deemed a controlling shareholder of Emperor International, Emperor E Hotel, Emperor W&J, Emperor Capital Group and Emperor Culture, all being listed companies in Hong Kong.

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the Share Offer.

Management Independence

Our Board consists of four executive Directors and three independent non-executive Directors. Mr. Wong Chi Fai and Ms. Fan Man Seung Vanessa, two of our executive Directors, have common directorships in both our Group and certain companies under the Emperor Group of which the Controlling Shareholders are interested in. For information of Mr. Wong and Ms. Fan, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director of our Company and his/her personal interest. In the event that there is a potential conflict of interest in respect of any matters, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such matters and shall not be counted in the quorum.

Our day-to-day operation will be led by Mr. Ricky Ng and our Group’s senior management, who have the expertise in the industry with substantial experience and can exercise judgments and decisions independently without being influenced by our Controlling Shareholders.

Operational Independence

During the Track Record Period, some members of the Emperor Group and close associates of our Controlling Shareholders have been our customers and have purchased our products and vouchers or engaged our services for their operations or for personal consumption. Purchases by and services to these companies and individuals only contributed approximately 3.4%, 3.1%, 1.2% and 2.6% to our revenue during the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017 respectively. Our Group will continue to sell our products and service to such companies and connected persons and do business with them should they demand our products or services. Our Directors consider that our Group has no reliance on the purchases by or business from these companies and individuals.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group leased from Emperor International office, warehouse and the Fitfort “Dormire” store in relation to the operation of our business as at the Latest Practicable Date. During the Track Record Period, we also leased from Emperor International the Hunghom “Ulferts” retail store, but which tenancy has terminated with effect from 1 August 2017. For details, please refer to the section headed “Connected Transactions” in this prospectus. The rental paid to Emperor International accounted for approximately 44.9%, 36.2%, 32.0% and 25.2% of our Group’s total rental expenses for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively but has reduced with the termination of the tenancy for the Hunghom store in August 2017. Our Directors will review the terms of the other leases when they come up for renewal and will obtain independent advice, such as independent financial advisors and professional valuers as may be required.

Although we have engaged and will continue to engage EIML for providing back office support services, including human resources, information technology support, legal advising services and other administrative services to our Group, we have our own organisational structure with independent operation and administrative departments and units, each with specific areas of responsibilities and sufficient operating capacity in terms of capital, operating assets and employees to operate our business independently.

Financial Independence

We have sufficient working capital and banking facilities to operate our business independently, and have adequate internal resources to support our daily operations and expansion. Our net cash flows from operating activities was approximately HK\$7.5 million for the five months ended 31 August 2017. Our available bank facilities amounted to approximately HK\$67.0 million as at 30 November 2017, of which only approximately HK\$28.0 million was utilised.

We have established our own internal control and accounting systems, and independent treasury function for cash receipts and payments. We have independent bank accounts and business registrations as well as a sufficient number of accounting personnel.

During the Track Record Period and as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans to our Group. During the Track Record Period, Dr. Albert Yeung, a deemed Controlling Shareholder, has provided personal guarantees for our Group’s banking facilities, which guarantees will be released and replaced by guarantees from our Company upon Listing.

Having considered the above factors, our Directors are satisfied that our Group is able to operate and to sustain without dependence on our Controlling Shareholders.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain transactions with our connected persons in the ordinary and usual course of business of our Group during the Track Record Period. Some of these transactions have ceased and some of them are expected to continue which will constitute continuing connected transactions within the meaning of the Listing Rules.

SUMMARY OF OUR CONNECTED PERSONS

During the Track Record Period, we have entered into certain transactions which constitute connected transactions with the following connected persons:

1. certain members of the Emperor Group: such companies will be connected persons of our Group under Rule 14A.07(4) of the Listing Rules on Listing;
2. certain Directors; and
3. one of our Controlling Shareholders and his close associates.

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of the connected transactions with our connected persons during the Track Record Period:

Transactions	Connected Persons	For the year ended 31 March			Five months ended 31 August	Proposed annual cap		
		2015	2016	2017	2017	2018	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A Non-recurring connected transactions								
1 Sponsor fee in connection with the Listing	Emperor Capital	–	–	–	900	NA	NA	NA
Underwriting fee in connection with the Listing	Emperor Securities	–	–	–	–	NA	NA	NA
2 Tenancy agreements for our “Ulferts” retail store in Hunghom	Golden Pegasus [#]	3,255	4,457	4,353	3,486	NA	NA	NA
3 Advertising and promotional expenses	New Media Group ^{#*} , Hong Kong Daily News, Limited, Emperor Motion HK [#] and Emperor Entertainment [#]	61	327	–	400	NA	NA	NA
4 Repurchase of products from connected person	Emperor International	–	–	21	–	NA	NA	NA

CONNECTED TRANSACTIONS

Transactions	Connected Persons	For the year ended 31 March			Five months ended 31 August	Proposed annual cap		
		2015	2016	2017	2017	2018	2019	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
B Exempt continuing connected transactions								
5 Reimbursement of administrative expenses	EIML	1,041	1,239	577	187	NA	NA	NA
6 Corporate finance advisory services	Emperor Capital	–	–	–	–	NA	NA	NA
7 Sales to connected persons	Certain Directors, one of our Controlling Shareholders and his close associates	3	30	145	26	NA	NA	NA
C Non-exempt continuing connected transactions								
8 Tenancy agreements for our Main Office, Fitfort “Dormire” store and Existing Warehouse	Headwise Investment Limited, National Goal Limited and Golden Pegasus [#]	10,562	10,812	11,072	4,709	11,370	NA	NA
9 Sale of products and services	Emperor Group	6,175	6,533	2,591	2,368	9,000	9,000	9,000

[#] as defined hereinafter

* ceased to be a connected person from 25 February 2015 during the Track Record Period

The following sets out the connected transactions and continuing connected transactions, where applicable, the waivers from strict compliance with relevant requirements of the Listing Rules that our Group has applied for, and has been granted by the Stock Exchange.

A. Non-recurring connected transactions

1. Sponsor fee and underwriting fee in connection with the Listing

Emperor Capital has been appointed as one of the Joint Sponsors for the Listing pursuant to an engagement letter dated 31 March 2017. Emperor Capital charges a fee of HK\$1,200,000 under the engagement letter and all expenses incurred by Emperor Capital in relation to the performance of service thereunder shall be reimbursed by our Company. Up to 9 January 2018, fee paid to Emperor Capital amounted to HK\$1,100,000 and the balance of the sponsor fee of HK\$100,000 shall be payable in accordance with the terms of the engagement letter.

On 15 January 2018, our Company entered into the Underwriting Agreement with, *inter alia*, Emperor Securities. Pursuant to the terms of the Underwriting Agreement, the Underwriters (including Emperor Securities) will receive a commission equal to 3% of the aggregate Offer Price payable for the Offer Shares. The maximum underwriting fee to be received by Emperor Securities is estimated to be approximately HK\$3.3 million, based on the Offer Price of HK\$0.62 per Offer Share, being the highest of the range of the Offer Price of

CONNECTED TRANSACTIONS

between HK\$0.38 per Share and HK\$0.62 per Share and an underwriting commitment of not more than 178,000,000 Shares pursuant to the terms of the Underwriting Agreement.

Emperor Capital and Emperor Securities are indirect wholly-owned subsidiaries of Emperor Capital Group, which is controlled by AY Holdings. Hence, Emperor Capital and Emperor Securities are both connected persons of our Company under Chapter 14A of the Listing Rules.

Our Group has obtained quotations from other licensed corporation for provision of services in connection with the Listing. The Board considers the sponsor fee and underwriting commission charged by Emperor Capital and Emperor Securities are comparable with fees charged by other providers of similar services. The Directors (including the non-executive Directors) are of the view that the sponsor fee payable to Emperor Capital and underwriting commission payable to Emperor Securities and the terms of the agreements are fair and reasonable and are on normal commercial terms.

The above engagement of Emperor Capital and Underwriting Agreement with Emperor Securities are one-off transactions in connection with the Listing and not recurring thereafter.

2. *Tenancy agreements for our “Ulferts” retail store in Hunghom*

During the Track Record Period, our Group entered into the following tenancy agreements with Golden Pegasus Investment Limited (“**Golden Pegasus**”) in relation to our “Ulferts” retail store in Hunghom:

Tenancy agreement dated 2 April 2012

Parties	Address	Term	Monthly rental
Landlord: Golden Pegasus (a subsidiary of Emperor International) Tenant: Wealthy House (a subsidiary of our Company)	Shops 7-11 on G/F, 1/F and 2/F (including the entrance hall on G/F to 1/F and 2/F), 3/F-5/F (Carparks), Wei King Building, 275 Chatham Road North, Hung Hom, Kowloon (<i>Note</i>)	1 April 2012 to 31 March 2015 with 2 successive options to renew for 3 years each – with three months’ rent free period	HK\$462,000 exclusive of rates, management fees and all other outgoings (<i>Note</i>)

Note: The tenancy for 3/F -5/F was terminated with effect from 1 January 2013 and the monthly rental for the remaining period was reduced to HK\$342,000.

CONNECTED TRANSACTIONS

Tenancy agreement dated 31 March 2015 and supplemental agreement dated 11 July 2016

Landlord: Golden Pegasus Tenant: Wealthy House	Shops 7-11 on G/F, 1/F and 2/F (including the entrance hall on G/F to 1/F and 2/F), Wei King Building, 275 Chatham Road North, Hung Hom, Kowloon	Exercise of option by our Group to renew the tenancy for 3 years from 1 April 2015 to 31 March 2018 (with option to renew from 1 April 2018 to 31 March 2021) – with two months' rent free period	HK\$393,300 exclusive of rates, management fees and all other outgoings Rental reduction to HK\$353,970 as per the supplemental agreement for the period from 1 July 2016 to 31 December 2016
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On 7 June 2017, Golden Pegasus and Wealthy House entered into an agreement to terminate the tenancy pursuant to which the tenancy agreement shall be absolutely terminated with effect from 1 August 2017. Our Hunghom store was closed and ceased business with effect from 3 July 2017. Vacant possession of the Hunghom store was delivered back to the landlord on termination of the tenancy on 31 July 2017 on an “as is” basis. Pursuant to the terms of the tenancy agreement and the termination agreement, the tenant had paid a sum of HK\$2,000,000 in lieu of reinstatement.

The rental paid to Golden Pegasus for the premises for the financial years ended 31 March 2015, 2016 and 2017 amounted to approximately HK\$3,255,000, HK\$4,457,000 and HK\$4,353,000 respectively. For the five months ended 31 August 2017, rental and payment in lieu of reinstatement, amounted to approximately HK\$3,486,000 in aggregate, was paid to Golden Pegasus.

Golden Pegasus is a wholly-owned subsidiary of Emperor International, which is controlled by AY Holdings. Hence, Golden Pegasus is a connected person of our Company under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the above rental paid was at market rental, fair and reasonable and on normal commercial terms.

Memfus Wong Surveyors Limited, a professional valuer which is an Independent Third Party, has reviewed the tenancy agreements for our Hunghom “Ulferts” retail store and confirmed that the rental paid under the tenancy agreements were at the market rental prevailing at the commencement date of the relevant agreements and that the commercial terms in the agreements were fair and reasonable and on normal commercial terms.

CONNECTED TRANSACTIONS

3. *Advertising and promotional expenses*

Background:

We have conducted marketing and promotional activities through various means, some of which were through connected persons:

- (i) magazines, newspapers and website – during the financial years ended 31 March 2015 and 31 March 2016, we have placed advertisements in “Economic Digest” and “Oriental Sunday”, which are published by subsidiaries of New Media Group Limited (“**New Media Group**”), and in “Hong Kong Daily News” which is published by Hong Kong Daily News, Limited. We also promote our products and services on our website, which was hosted and maintained by New Media Group during the financial years ended 31 March 2015 and 31 March 2016;
- (ii) gifts and coupons – during the Track Record Period, we had entered into sponsorship agreements with Emperor Motion Picture (Hong Kong) Limited (“**Emperor Motion HK**”) as a sponsor in the joint promotional campaigns of various films distributed by Emperor Motion HK. We paid sponsorship fees and placed advertisements in assigned newspapers to show support to the films. In exchange we were provided with exchange coupons of the films which we distributed to customers as free gifts;
- (iii) exhibitions and shows – we invited celebrities to attend our promotional events in Hong Kong for celebrating our 40th anniversary in May 2015 and grand opening of our “Ulferts” flagship store in Kowloon Bay in August 2017. We entered into service agreements with Emperor Motion HK and Emperor Entertainment (Hong Kong) Limited (“**Emperor Entertainment**”) respectively pursuant to which Emperor Motion HK had arranged one of its artistes to attend our 40th anniversary event and Emperor Entertainment had arranged one of its artistes to attend the grand opening of our Kowloon Bay store.

For the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the expenses paid by our Group to connected persons for the aforesaid marketing and promotional activities, in aggregate, amounted to approximately HK\$61,000, HK\$327,000, nil and HK\$400,000 respectively.

Connected persons:

New Media Group was the publishing arm of New Media Group Holdings Limited (now known as Evergrande Health Industry Group Limited), whose shares are listed on the Stock Exchange (stock code 708). New Media Group is principally engaged in the publication and marketing of Chinese-language magazines in Hong Kong. At the material times of the transactions, New Media

CONNECTED TRANSACTIONS

Group Holdings Limited was owned as to 74.99% by AY Holdings. After AY Holdings disposed of its interests on 27 February 2015, AY Holdings ceased to be the controlling shareholder of New Media Group Holdings Limited. New Media Group was not a connected person of the Company from 27 February 2015 during the Track Record Period.

Hong Kong Daily News, Limited is the publisher of “Hong Kong Daily News” in Hong Kong and is wholly-owned by AY Holdings.

Emperor Motion HK is wholly-owned by AY Holdings and is principally engaged in film distribution and production.

Emperor Entertainment is wholly-owned by AY Holdings and is principally engaged in the production and distribution of local and foreign records, music publishing, talent management and concert production.

As AY Holdings was the controlling shareholder of New Media Group, Hong Kong Daily News, Limited, Emperor Motion HK and Emperor Entertainment at the material times of the transactions, the above transactions constituted connected transactions of our Company under Chapter 14A of the Listing Rules.

Pricing:

The prices for services provided by these companies to our Group was determined on an arm’s length basis in line with market rates. The Directors (including the non-executive Directors) are of the view that the prices were fair and reasonable and on normal commercial terms.

4. *Repurchase of products from connected person*

Background:

During the Track Record Period, members of Emperor International had purchased furniture from us for furnishing its sales office, property development and show flat, details of which are set out in the paragraph “Sales of products and services to Emperor International Group, including Emperor E Hotel” in the section “Non-exempt continuing connected transactions” below. After the show flat exhibition of one of the property development projects of Emperor International closed, we offered to repurchase from Emperor International some of the furniture items at its sales office for our resale as display items at a discounted price in February 2017. We paid a sum of approximately HK\$21,000 to Emperor International for a total of 14 furniture items, and the average discount for the items was approximately 88.6% to the price we sold to Emperor International. As at the Latest Practicable Date, ten of the items were sold, and a profit of approximately HK\$17,000 was recognised.

CONNECTED TRANSACTIONS

Connected person:

Emperor International is controlled by AY Holdings and as such, the aforesaid transaction is a connected transaction for the Company.

The repurchase price was determined after taking into consideration that the furniture were no longer useful to Emperor International after the show flat exhibition and Emperor International does not have a sales channel for selling these furniture items. The furniture would only be sold as display items, therefore a substantial discount to the original price was reasonable. The Directors (including the non-executive Directors) are of the view that the repurchase price was fair and reasonable and on normal commercial terms.

B. Exempt continuing connected transactions

5. *Reimbursement of administrative expenses*

Background:

EIML has been providing administrative and back office support services, including human resources, information technology support, legal advisory services and other administrative services to our Group. The costs of such services provided by EIML are to be shared among other operations of Emperor Group. For the financial years ended 31 March 2015, 2016, 2017 and for the five months ended 31 August 2017, the administrative and back office support service fees paid by our Group amounted to approximately HK\$1,041,000, HK\$1,239,000, HK\$577,000 and HK\$187,000 respectively.

Connected persons:

EIML is a wholly-owned subsidiary of Emperor International, which is controlled by AY Holdings. Accordingly, EIML is a connected person of the Company under the Listing Rules.

Reasons for the transaction:

The Directors consider the administrative and back office support services provided to our Group by EIML enable our Group to cut down administration costs and to operate at a cost-effective manner. Our Group will continue to engage the administrative and back office support services including human resources, information technology support, professional consultancy and legal advisory services and other administrative services from EIML and such services will constitute a continuing connected transaction under Rule 14A.14 of the Listing Rules after Listing.

CONNECTED TRANSACTIONS

Pricing:

The administrative and back office support services to be shared by our Group and other operations of the Emperor Group shall be based on actual cost incurred, the actual usage of the services and utilisation of staff time in terms of percentage by each individual operation (including our Group) to calculate the portion of cost to be charged to us. As a result, the price for these administrative and back office support service fees shall be charged on a cost basis. The costs to be shared are mainly salaries, bonus, provident funds and other related expenses of the staff providing the services and the relevant expenses incidental to the provision of such services including telecommunication charges and repair and maintenance expenses. In view that the cost of administrative and back office support services is to be allocated to our Group on cost and actual usage basis, the Directors, including the independent non-executive Directors, consider that the terms of the administrative and back office services are fair and reasonable and on normal commercial terms. The sharing of administrative and back office services on a cost basis fall within the exemption under Rule 14A.73(8) of the Listing Rules.

6. Corporate finance advisory services

Background:

Our Company has engaged Emperor Capital as one of the Joint Sponsors for the Listing. Upon Listing, our Company will continue to engage Emperor Capital for the provision of corporate finance advisory services on annual retainer basis and on project basis from time to time. No similar cost was incurred during the Track Record Period.

Connected person:

Emperor Capital is a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities. It is an indirect wholly-owned subsidiary of Emperor Capital Group. AY Holdings is the controlling shareholder of Emperor Capital Group and Emperor Capital is hence a connected person of the Company under Chapter 14A of the Listing Rules. The ongoing provision of financial advisory services by Emperor Capital will constitute a continuing connected transaction under Rule 14A of the Listing Rules after Listing.

Pricing:

The price for these financial advisory services will be determined with reference to the market price for such corporate finance advisory services in the open market on an arm's length basis. The annual retainer fee payable by our Group to Emperor Capital shall be HK\$20,000 per month and the fees payable for projects shall be determined on a case by case basis on arms-length negotiation with reference to the complexity of the transactions and time requirement at time

CONNECTED TRANSACTIONS

of the engagement. The fee payable for such services shall be no less favourable to our Group than those offered by other financial advisors who are Independent Third Parties. The Directors, including the independent non-executive Directors, consider that the engagement of such services is in the ordinary course of business of our Group after Listing and on normal commercial terms that are fair and reasonable and is in the interests of our Company and the Shareholders as a whole.

As the annual amount of fee payable by our Group to Emperor Capital for such services for the financial years ending 31 March 2018, 31 March 2019 and 31 March 2020 (excluding the sponsor fee for the Listing) is expected to be less than 5% of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profit ratio) and the total consideration is less than HK\$3,000,000, the engagement shall be exempt from reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules.

7. Sales to connected persons

Background:

A number of connected persons, including the Directors, one of our Controlling Shareholders and his close associates have been customers of our Group and have bought our retail products, including furniture, mattresses accessories and gift coupons for their own private use or consumption. The purchasers had not processed the products and coupons for resale or for other business use. The products were used by the purchasers in the same state as when they were bought.

For the financial years ended 31 March 2015, 2016, 2017 and five months ended 31 August 2017, the sale of our retail products and coupons to individual connected persons amounted, in aggregate, to approximately HK\$3,000, HK\$30,000, HK\$145,000 and HK\$26,000 respectively.

Pricing:

The sales of our Group's products and coupons to connected persons shall be based on retail price with applicable discount in accordance with our staff benefit policies. The Directors (including the non-executive Directors) are of the view that the terms of such sales are fair and reasonable and on normal commercial terms.

As the sales to connected persons during the Track Record Period has satisfied Rule 14A.97 of the Listing Rules, the transactions shall be exempt from reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules. Our Group has controls and measures in identifying connected persons of the Company and their close associates.

CONNECTED TRANSACTIONS

The Directors believe that these purchases may recur in the future. However, it cannot be ascertained whether and when the connected parties will purchase any retail products and coupons of our Group and therefore it is difficult to ascertain a cap for future financial years after Listing. Should any of the criteria set out in Rule 14A.97 of the Listing Rules is not satisfied, our Company will comply with relevant requirements of the applicable Listing Rules if necessary.

C. Non-exempt continuing connected transactions

8. Tenancy agreements for our Group's Main Office, Fitfort "Dormire" store and Existing Warehouse

a. Main Office

Background:

Our Group has entered into the following tenancy agreements in relation to our Group's Main Office:

Landlord	Tenant (subsidiary of the Company)	Location	Term	Monthly rental	Floor area	Usage
Headwise Investment Limited – a wholly-owned subsidiary of Emperor International	Ulferts Far East	Units 1206-7, 12/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong	(i) under tenancy agreement dated 31 March 2014; 1 April 2014 to 31 March 2016 with one month rent free period	(i) HK\$98,000 exclusive of rates, management fees, air-conditioning fee and all other outgoings	2,941 sq.ft. (gross)	Office
			(ii) under tenancy agreement dated 31 March 2016; 1 April 2016 to 31 March 2018	(ii) HK\$97,053 exclusive of rates, management fees, air-conditioning charges and other outgoings		

Reasons for the transaction:

The Directors believe that maintaining the tenancy at the existing addresses will avoid the incurrence of relocation costs.

Rental amount

The terms of the said tenancy agreements were arrived at after arm's length negotiation with reference to the then prevailing market rental.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the rental paid by our Group to Emperor International for our Main Office amounted to approximately HK\$1,127,000, HK\$1,127,000, HK\$1,165,000 and HK\$485,000 respectively.

CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) are of the view that the rental payable under the said tenancy agreements are at market rental and the terms of the said agreements are fair and reasonable and on normal commercial terms.

b. *Fitfort “Dormire” store*

Background:

Our Group has entered into the following tenancy agreement in relation to our “Dormire” retail store at Fitfort, North Point:

Landlord	Tenant (subsidiary of the Company)	Location	Term	Monthly rental	Other charges payable to landlord	Floor area	Usage
National Goal Limited – a wholly-owned subsidiary of Emperor International	Linkpac Development Limited	Shop No. U31, Upper Ground Floor Fitfort, No. 560 King’s Road, North Point, Hong Kong	1 October 2016 to 30 September 2019	Rent – the higher of the Base Rent and the Turnover Rent Base Rent: Oct 2016 – Sep 2017: HK\$38,000 Oct 2017 – Sep 2018: HK\$39,000 Oct 2018 – Sep 2019: HK\$40,000 Turnover Rent: 8% gross receipts 2 months’ rent free period	Air conditioning charges of HK\$3,424 per month Service charge of HK\$3,252.8 per month Promotional charge of HK\$770.4 per month	856 sq.ft (gross)	Retail shop

During March 2017 to February 2018, our Group used and will use one advertising signboard for displaying information of our shop or products at the Fitfort at a total licence fee of HK\$13,200.

Reasons for the transaction:

The Directors believe that the existing address is a good location for setting up a “Dormire” store.

Rental/licence fee amount

The Directors confirm that the terms of the said tenancy agreement were arrived at after arm’s length negotiation with reference to the then prevailing market rental.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the rental and licence fee paid by our Group to Emperor International for our “Dormire” retail store at Fitfort, North Point amounted to approximately nil, nil, HK\$222,000 and HK\$189,000 respectively.

CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) are of the view that the rental and license fee payable under the tenancy/license agreements are at market rental and the terms of the agreement are fair and reasonable and on normal commercial terms.

c. Existing Warehouse

Background:

Our Group has entered into the following tenancy agreements and licence agreements in relation to our Existing Warehouse:

Landlord	Tenant (subsidiary of the Company)	Address	Term	Monthly rental	Management fee payable to landlord	Floor area	Usage
(i) Golden Pegasus	Mighty Wish	M/F, 1-9/F, Portion of 12/F and parking spaces (excluding Nos. 9 and 10) on G/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories, Hong Kong (<i>Note</i>)	1 April 2012 to 31 March 2015 with option to renew for 3 years	HK\$700,900 exclusive of rates, management fees, and other outgoing charges (<i>Note</i>)	HK\$92,232 per month	135,008 sq.ft. (gross)	for storage and carparking space
<p><i>Note:</i> The tenancy for Portion of 12/F was terminated with effect from 1 January 2015 and the monthly rental for the remaining period was reduced to HK\$676,900.</p>							
(ii) Golden Pegasus	Wealthy House	M/F, 1-9/F and parking spaces (excluding Nos. 9 and 10) on G/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories, Hong Kong	1 April 2015 to 31 March 2018	HK\$854,538 exclusive of rates, management fees, and other outgoing charges 2 months' rent free	Nil	129,970 sq.ft. (gross)	for storage and carparking space
		Portion of 12/F, The Ulferts Centre, 4 Kin Fat Lane, Tuen Mun, New Territories, Hong Kong	license from 16 September 2015 to 31 January 2016	NIL			

Reasons for the transaction:

The Directors believe that maintaining the tenancy at the existing address would avoid the incurrence of relocation costs. However, the tenancy agreement for our Existing Warehouse will be expiring on 31 March 2018 and there will be no renewal.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the rental and license fee paid by the Group to Emperor International for our Existing Warehouse amounted to approximately HK\$9,435,000, HK\$9,685,000, HK\$9,685,000 and HK\$4,035,000, respectively.

CONNECTED TRANSACTIONS

The Directors (including the independent non-executive Directors) are of the view that the rental payable under the said tenancy agreements is at market rental and the terms of the agreements are fair and reasonable and on normal commercial terms.

Memfus Wong Surveyors Limited, a professional valuer which is an Independent Third Party, has reviewed the tenancy agreements for our Main Office, Fitfort “Dormire” store and Existing Warehouse mentioned above and confirmed that the rental payable under the tenancy agreements were at the market rental prevailing at the commencement date of the relevant agreements and that the commercial terms in the agreements were fair and reasonable and on normal commercial terms.

Aggregate historical amount and proposed annual cap

The aggregate amount of rental/license fee paid by our Group to Emperor International for each of the three financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017 were approximately HK\$10.6 million, HK\$10.8 million, HK\$11.1 million and HK\$4.7 million, respectively.

With reference to the annual rental and license fee payable by the Group under the terms of the abovementioned tenancy/license agreements and assuming there will be no renewal upon expiry, the proposed aggregate annual cap for rental and license fee (based on effective rental) payable to Emperor International for our Main Office, Fitfort “Dormire” store and Existing Warehouse for the financial year ending 31 March 2018 is as follows:

	Proposed annual cap for the year ending 31 March 2018 HK\$
Rental and license fee payable for:	
● Main Office	1,170,000 (<i>Note 1</i>)
● Fitfort “Dormire” store	500,000 (<i>Note 2</i>)
● Existing Warehouse	<u>9,700,000 (<i>Note 3</i>)</u>
Aggregate rental and license fee payable	<u><u>11,370,000</u></u>

Notes:

1. The tenancy agreement for our Main Office will be expiring on 31 March 2018 and the cap above assumes there will be no renewal upon expiry.
2. Having considered that no turnover rental will be chargeable with reference to the historical turnover of the store, the rental and licensed fee amount (based on effective rental) payable to Emperor International under the tenancy agreement for our Fitfort “Dormire” store will be approximately HK\$500,000 and HK\$300,000 for the financial years ending 31 March 2019 and 31 March 2020 respectively.

CONNECTED TRANSACTIONS

As the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profit ratio) calculated with reference to the annual rental payable to Emperor International under this tenancy agreement for the financial years ending 31 March 2019 and 2020 are less than 5% and the total consideration is less than HK\$3,000,000, this tenancy agreement is exempt from reporting, announcement, annual review and independent shareholders' approval requirements of the Listing Rules.

3. The tenancy agreement for our Existing Warehouse will be expiring on 31 March 2018 and there will be no renewal.

As one of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profit ratio) calculated with reference to the annual rental and license fee (based on effective rental) payable to Emperor International under the current tenancy/license agreements for our Main Office, Fitfort "Dormire" store and Existing Warehouse for the financial year ending 31 March 2018, on an aggregated basis is more than 5% but is less than 25% and the total consideration is more than HK\$10,000,000, these tenancy/license agreements are subject to reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules.

9. Sale of products and services to members of Emperor Group

Background:

During the Track Record Period, we have sold furniture and mattresses and provided consultancy service under our Special Projects to members of the Emperor Group, including Emperor International and its subsidiaries (collectively as "**Emperor International Group**"), Emperor W&J and Emperor Motion Picture Limited and its subsidiaries (collectively as "**Emperor Motion Picture Group**") as set out below:

- (a) Sale of products and services to Emperor International Group, including Emperor E Hotel
 - (i) Our Group has provided mattresses and furniture under Special Projects for hotel developments and service apartment building of Emperor International Group namely Inn Hotel (Hong Kong), Inn Hotel (Macau), Grand Emperor Hotel, Emperor (Happy Valley) Hotel, Mori Mori serviced apartments in Hong Kong and the hotel development at 373 Queen's Road East as well as furniture for furnishing its sales offices, property development and show flat and for its own use in its offices in Hong Kong.
 - (ii) We also provided furniture procurement consultancy service to Emperor International Group under our Special Projects for its office building in the PRC. On 11 October 2016, Ulferts Far East and EIL Property Management Limited (a subsidiary of Emperor International) entered into an agreement ("**Beijing Office Agreement**") pursuant to which our Group provided furniture procurement consultancy service to Emperor International Group

CONNECTED TRANSACTIONS

for its Beijing office building. Our Group proposed specifications for the tailor-made furniture in accordance with the requirements of Emperor International Group, and introduce supplier to supply and install the furniture before 14 October 2017 at the budget prescribed by Emperor International Group. Pursuant to our introductions Emperor International Group entered into a supply agreement with a PRC supplier for the required furniture.

As at the Latest Practicable Date, the consultancy fee received by us under the Beijing Office Agreement is approximately RMB560,000 (approximately HK\$626,000) and a balance of approximately RMB62,000 is expected to be receivable in the financial year ending 31 March 2018.

- (iii) As at the Latest Practicable Date, face value of a total of HK\$1,000,000 furniture coupons purchased by Emperor International Group prior to the Track Record Period are still outstanding for redemption. The expiry date of the coupons is 31 March 2018. These coupons were purchased by Emperor International Group intended for its property development project. Upon full redemption or expiry of the coupons, an income of HK\$850,000 will be recognised.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the sum paid by Emperor International Group to our Group amounted to approximately HK\$6,061,000, HK\$6,012,000, HK\$1,831,000 and HK\$2,355,000 respectively. The Directors (including the independent non-executive Directors) are of the view that the terms of the abovementioned sale of products and services to Emperor International Group are fair and reasonable and on normal commercial terms.

(b) Sale of products and services to Emperor W&J

We provided tailor-made furniture under our Special Projects to Emperor W&J for their retail shops.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the sum paid by Emperor W&J to our Group amounted to approximately HK\$114,000, nil, HK\$12,000 and nil respectively. The Directors (including the independent non-executive Directors) are of the view that the terms of the abovementioned sale of products and services to Emperor W&J are fair and reasonable and on normal commercial terms.

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- (c) Consultancy service and sale of products and services to Emperor Motion Picture Group

We provided consultancy service for tailor-made cinema chairs to Emperor Motion Picture Group under our Special Projects for various cinemas in the PRC. During the Track Record Period, Ulferts Far East and Emperor Motion Picture Group entered into the following agreements (collectively the “**Cinema Consultancy Agreements**”) pursuant to which our Group shall provide procurement consultancy service to Emperor Motion Picture Group for cinemas in the PRC at a consultancy fee:

Date of agreement	Term of the agreement	No. of cinema chairs delivered/ordered	Consultancy fee derived/to be derived from the agreement
25 June 2015 (“ 2015 Agreement ”)	2 years from 25 June 2015 to 25 June 2017	approximately 1,800	RMB616,952
12 December 2016 (“ 2016 Agreement ”)	2 years from 1 January 2017 to 31 December 2018	approximately 3,200 as at Latest Practicable Date	RMB1,344,000 (estimated amount only, subject to orders finally placed during the term)

Pursuant to the Cinema Consultancy Agreements, our Group shall provide proposal as to the specifications for the chairs in accordance with requirements of Emperor Motion Picture Group, and introduce supplier to supply and install them in the cinemas at a fixed price during the term of the Cinema Consultancy Agreements. Pursuant to our introduction, Emperor Motion Picture Group entered into two supply agreements with a PRC supplier for the required cinema chairs.

For the financial years ended 31 March 2015, 2016, 2017 and the five months ended 31 August 2017, the total consultancy fee received by us pursuant to the Cinema Consultancy Agreements was approximately nil, HK\$505,000, HK\$748,000 and nil, respectively. As at the Latest Practicable Date, the balance of the consultancy fee pursuant to the 2015 Agreement of approximately RMB180,000 is expected to be receivable in the financial year ending 31 March 2018. Depending on the number of cinema chairs actually ordered and delivered under the 2016 Agreement, consultancy fee in the sum of approximately RMB672,000 is expected to be receivable in the financial years ending 31 March 2018 and 31 March 2019.

We have also provided cinema chairs to Emperor Motion Picture Group for its office premises and cinema in Hong Kong. During the year ended 31 March 2016 and five months ended 31 August 2017, the amount received by our Group were approximately HK\$16,000 and HK\$13,000 respectively.

CONNECTED TRANSACTIONS

The consultancy service provided by us under the above Special Projects included planning, designing and sourcing tailor-made furniture. Our fees chargeable under Special Projects are on project basis, depending on the complexity of the project, the type and source of furniture and the project duration period.

Connected person

As AY Holdings was the controlling shareholder of Emperor International, Emperor W&J and Emperor Motion Picture Group, the aforesaid transactions constituted connected transactions of our Company under Chapter 14A of the Listing Rules.

The terms of the above transactions were arrived at after arm's length negotiation between our Group and respective member of the Emperor International Group, Emperor W&J and Emperor Motion Picture Group. The Directors (including the independent non-executive Directors) are of the view that the terms of the above transactions are on normal commercial terms and are fair and reasonable and in the interest of our Group.

Master Agreement

On 15 January 2018, AY Holdings and the Company entered into a master agreement (“**Master Agreement**”) pursuant to which, subject to orders placed and accepted and agreement entered into between members of Emperor Group and relevant members of our Group on a case by case basis, our Group may (i) sell products and provide consultancy services to members of Emperor Group in relation to their projects and investments, or for their own consumption; (ii) sell furniture coupons to members of Emperor Group for their own consumption and for the consumption of their clients as a marketing strategy of their projects and (iii) such other types of ancillary services and any transaction of revenue nature in the ordinary course of business of our Group. The Master Agreement covers all transactions made between 1 April 2017 to 31 March 2020 and any outstanding contracts of our Group under our retail, wholesale and Special Projects business which are not yet delivered in full as at the date of the Master Agreement.

The Master Agreement shall commence upon Listing and expire on 31 March 2020. AY Holdings has the option to obtain from third party suppliers other than our Group the aforesaid products and services and our Group is not bound to accept any order or provide any service other than outstanding contracts. The Master Agreement provides that the price and other specific terms of purchase or service shall be set out in the purchase order or service agreement, on an order by order basis with reference to the quantity, delivery timing, the type of products and services or the complexity of the projects, the expiry dates and the restrictions of the coupons for determining the discount on the face value of the coupons and other relevant factors. The price and terms for products, services and coupons shall be on normal commercial term and at rates no less favourable to the Group than those to be provided to Independent Third Parties.

CONNECTED TRANSACTIONS

Historical amount and proposed cap:

For the financial years ended 31 March 2015, 2016, 2017 and for the five months ended 31 August 2017, the income received by our Group in relation to the sales and provision of service to members of Emperor Group amounted to approximately HK\$6,175,000, HK\$6,533,000, HK\$2,591,000 and HK\$2,368,000 respectively.

Set out below are the proposed annual cap set by the Company for the Master Agreement:

	For the year ending 31 March		
	2018	2019	2020
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Annual cap	9,000,000	9,000,000	9,000,000

In determining the annual cap, the Directors have considered the following factors:

- (i) the historical transaction amounts for the purchase of products by members of Emperor Group from our Group and the amount of consultancy fee received by our Group in relation to the projects of Emperor International Group, Emperor W&J and Emperor Motion Picture Group during the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 as mentioned above, and the highest annual historical amount of approximately HK\$6,533,000 for the year ended 31 March 2016;
- (ii) the revenue from the sale of products and provision of consultancy service to members of Emperor Group for the five months ended 31 August 2017 amounted to approximately HK\$2,367,000;
- (iii) it is also expected a number of cinemas under Emperor Motion Picture Group and Emperor Culture will be opened in Hong Kong and the PRC during the years ending 31 March 2018, 2019 and 2020 and revenue from the sale of products or consultancy fee in aggregate amounting to approximately HK\$1,700,000, HK\$1,500,000 and HK\$1,800,000 are expected to be received for each of the year ending 31 March 2018, 2019 and 2020 with reference to the project size under the 2016 Agreement;
- (iv) the outstanding contract sum for the sale of products and the provision of consultancy service under existing contracts with members of Emperor Group amounting to approximately HK\$1,659,000 recognised or is expected to be recognised for the period from 1 September 2017 to 31 March 2018; and

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- (v) the announced upcoming and in-progress property and hotel projects of Emperor International Group and assuming the number of projects to be completed in each of the financial year ending 31 March 2018, 31 March 2019 and 31 March 2020 and the amount of products and services required from us will be at similar level as that in the financial year ended 31 March 2015 and 31 March 2016, which amounted to approximately HK\$6,061,000 and HK\$6,012,000 respectively.

The terms of the Master Agreement are arrived at after arm's length negotiations between our Group and AY Holdings. The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Agreement are on normal commercial terms, and that the terms and the proposed annual caps are fair and reasonable and in the interests of our Group.

As the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the proposed annual cap for the Master Agreement for the financial years ending 31 March 2018, 31 March 2019 and 31 March 2020 is more than 5% but less than 25% and the total consideration is less than HK\$10,000,000, the transactions under the Master Agreement is subject to reporting, announcement and annual review requirements, but exempt from independent shareholders' approval under the Listing Rules.

Application for waiver under the Listing Rules

The transactions under the tenancy agreements in relation to the Main Office, the Fitfort "Dormire" store and the Existing Warehouse for the financial year ending 31 March 2018, on an aggregated basis, as well as the Master Agreement constitute continuing connected transactions for our Company under Rule 14A.31 of the Listing Rules. The tenancy agreements in relation to the Main Office, the Fitfort "Dormire" store and the Existing Warehouse for the financial year ending 31 March 2018, on an aggregated basis, are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules while the Master Agreement is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules following the Listing.

Pursuant to Rule 14A.105 of the Listing Rules, our Company and the joint sponsors have applied for, and the Stock Exchange has granted a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions.

Apart from the announcement and independent shareholders' approval requirements in respect of which a waiver has been sought and granted, we will comply with the provisions in Chapter 14A of the Listing Rules governing continuing connected transactions and the proposed annual caps from time to time as required.

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Opinion of the Directors

The Directors (including the independent non-executive Directors), having reviewed the relevant information (e.g. the historical transaction amounts, the underlying agreements, the opinion provided by the independent valuer and the future plans of our Group) relating to the non-exempt continuing connected transactions and the proposed annual caps, are of the opinion that the tenancy agreement in relation to our Main Office, Fitfort “Dormire” store and Existing Warehouse as well as the Master Agreement have been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms or better to our Group which are fair and reasonable and in the interest of the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that:

- (i) the above connected transactions for which waiver is sought has been and will be entered into in the ordinary course of business of our Company on normal commercial terms or better to our Group which are fair and reasonable and in the interest of our Shareholders as a whole; and
- (ii) the proposed annual caps for the above continuing connected transactions are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical consolidated financial information as of and for each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 and operating data included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

This discussion and analysis contains forward-looking statements that are based on assumptions and analysis in light of our current conditions. Our actual results may differ significantly from our expectations and predictions and will be affected by a number of risks and uncertainties over which we do not have control. Factors that might cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" in this prospectus.

OVERVIEW

Our Group was founded in 1975 and has been based in Hong Kong as a furniture retailer for over 40 years. We are currently principally engaged in retail of imported furniture such as sofas, dining tables and chairs, beds and cabinets, the wholesale of mattresses and sofas under the brand "Ulfenbo". We also undertake Special Projects for corporate customers in Hong Kong and Macau, such as for show flats and hotels, customised furniture for coffee-shop chain, educational institutions and furniture procurement consultancy service in relation to projects in the PRC.

During the Track Record Period, the revenue of our Group was approximately HK\$181.3 million, HK\$210.1 million, HK\$224.3 million and HK\$92.9 million for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively, and net profit attributable to equity owners of the Company was approximately HK\$23.3 million, HK\$22.4 million and HK\$30.1 million for the three years ended 31 March 2015, 2016 and 2017, respectively whilst a net loss attributable to equity owners of the Company of approximately HK\$5.8 million was recorded for the five months ended 31 August 2017.

Retail sales of furniture is the major source of revenue of our Group and accounted for approximately 88.1%, 90.7%, 92.6% and 91.8% of the total revenue of our Group for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Another substantial part of our revenue is mainly contributed by wholesaling of Ulfenbo mattresses and sofas, while the remaining part of our revenue is derived from Special Projects.

We source our retail furniture products from suppliers in Europe and Asia (including the PRC). We also outsource the production of "Ulfenbo" products and other items for customised furniture for Special Projects. For details please refer to the section headed "Business" in this prospectus. Our Directors believe that the outsourcing strategy allows us to gain flexibility on supplier selection in product procurement process and concentrate our

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resources on brand building and marketing. Moreover, our Group also benefits from such business strategy by avoiding the potential operational and financial risks associated with manufacturing and the capital expenditure on production facilities.

Hong Kong is our principal market and all our retail stores are in Hong Kong. As at the Latest Practicable Date, our Group has 6 retail stores under the “Ulferts” brand, one retail shop under “Eurodecor” brand and 7 specialty stores under the name “Dormire” in Hong Kong. Our wholesale and Special Projects businesses are conducted from our headquarters in Hong Kong.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our Group’s financial results will be affected by a number of factors, most of which may not be within our Group’s control. Our Directors believe that major factors affecting our Group’s revenue and ability to continue to generate profits include the following:

Economic conditions in Hong Kong

Given the nature of the principal business of our Group as a retailer of furniture in Hong Kong, our Directors are of the view that the business performance of our Group was and will be highly correlated with the economic conditions and the purchasing power of the consumers in Hong Kong. Our Directors believe that any change in economic conditions in Hong Kong will affect our Group’s revenue and future profits.

Sourcing costs of finished products

We source our products and merchandise by way of procurement of products from our suppliers. The costs of these products are subject to various factors including the raw materials used, quality, brand, transportation cost, labour cost and currency exchange fluctuation. We have generally shifted the increased costs of sales to our customers and maintained gross profit margin of approximately 60.6%, 64.5%, 64.8% and 63.9% during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. Our business and profitability will continue to depend, to a certain extent, on our ability to shift any increased cost of sales to our customers.

Brand image and recognition

The major revenue of our Group was mainly derived from the retail sales of furniture which depends on the strength of customer loyalty and our brand identity in Hong Kong. The business performance of our Group has been and will be subject to our ability to maintain and enhance our brand image and recognition in the furniture market in Hong Kong.

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Change of consumer preferences

We believe that one of the factors for our success is our ability to source stylish design of furniture products that suit customers' preferences and the prompt reaction to changes in the market. Business performance of our Group has been and will continuously depend on our ability to meet any changes of consumer preferences in a timely manner.

Ability to secure leasing of retail stores and manage change in rental expenses

All of our retail stores and our warehouse are leased premises. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, total rent, rates and building management fees for our retail stores, warehouse, department store counters and roadshow venues amounted to approximately HK\$29.1 million, HK\$40.5 million, HK\$46.4 million and HK\$23.8 million, representing approximately 44.8%, 44.9%, 48.4% and 50.0%, respectively, of our selling and distribution expenses for the respective years and period. Business performance of our Group has been and will continuously depend on our ability to secure leasing of retail stores and warehouse facilities and manage changes in rental expenses.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Our consolidated financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are significant to the preparation of our consolidated financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in note 2.3 of Section II of the Accountants' Report set forth in Appendix I to this prospectus.

In the process of applying the Group's accounting policies, we have to make judgements, estimates and assumptions that affected the reported amounts and the disclosure of our consolidated financial information, at the end of each of the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017. However, uncertainties about these assumptions, estimates and judgements could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are subject to change in the future, as necessary, and are set forth in note 3 of Section II of the Accountants' Report set forth in Appendix I to this prospectus. We continually evaluate our judgements and estimates based on various factors, including, but not limited to, historical experience and expectation of future events/outcomes that are believed to be reasonable under the circumstances. As a result, actual outcomes might differ from these estimates.

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RESULTS OF OPERATIONS

The following is a summary of the audited consolidated statements of profit or loss and other comprehensive income of our Group for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 and the unaudited consolidated statement of profit or loss and other comprehensive income for the five months ended 31 August 2016 which is extracted from the Accountants' Report set out in Appendix I to this prospectus. This summary should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)				
Revenue	181,347	210,070	224,331	78,974	92,850
Cost of sales	<u>(71,415)</u>	<u>(74,491)</u>	<u>(79,027)</u>	<u>(27,659)</u>	<u>(33,529)</u>
Gross profit	109,932	135,579	145,304	51,315	59,321
Other income and gains	829	835	4,626	725	383
Selling and distribution expenses	(64,875)	(90,164)	(95,955)	(38,718)	(47,612)
General and administrative expenses	(17,675)	(19,244)	(18,402)	(6,960)	(17,269)
Finance cost	<u>(63)</u>	<u>(2)</u>	<u>(1)</u>	<u>–</u>	<u>(18)</u>
Profit/(loss) before tax	28,148	27,004	35,572	6,362	(5,195)
Income tax expense	<u>(4,860)</u>	<u>(4,651)</u>	<u>(5,427)</u>	<u>(1,088)</u>	<u>(646)</u>
Profit/(loss) for the year/period and total comprehensive income/(loss) for the year/period	<u>23,288</u>	<u>22,353</u>	<u>30,145</u>	<u>5,274</u>	<u>(5,841)</u>

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PRINCIPAL STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME COMPONENTS

Revenue

During the Track Record Period, we derived our revenue from retail of imported furniture, wholesale of mattresses, sofas and ancillary bedroom items, and Special Projects for customised furniture and related furniture consultancy business, after allowances for returns and trade discounts.

The following table sets out the revenue attributable to each of the retail, wholesale and Special Projects business:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
	(Unaudited)									
Retail	159,703	88.1	190,475	90.7	207,859	92.6	73,656	93.3	85,231	91.8
Wholesale	14,586	8.0	13,750	6.5	13,138	5.9	5,061	6.4	5,115	5.5
Special Projects	7,058	3.9	5,845	2.8	3,334	1.5	257	0.3	2,504	2.7
Total	181,347	100.0	210,070	100.0	224,331	100.0	78,974	100.0	92,850	100.0

The following table sets out the revenue, sales volume and average selling price of each of our major products during the Track Record Period:

	Year ended 31 March						Five months ended 31 August					
	2015		2016		2017		2016		2017			
	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price	Revenue	Average selling price		
	HK\$'000	unit	HK\$	HK\$'000	unit	HK\$	HK\$'000	unit	HK\$	HK\$'000	unit	HK\$
Sofa	101,356	6,198	16,353	116,047	6,739	17,220	132,269	7,475	17,695	53,491	3,079	17,373
Dining table	19,402	1,243	15,609	21,589	1,047	20,620	21,542	1,065	20,227	7,675	349	21,991
Mattress	16,454	16,470	999	19,000	17,445	1,089	20,524	16,986	1,208	10,657	7,216	1,477
Dining chair & bar stool	16,609	5,363	3,097	17,347	4,653	3,728	15,886	4,109	3,866	7,305	2,195	3,328
Coffee table & corner table	9,735	1,039	9,370	13,532	952	14,214	12,963	1,071	12,104	5,048	385	13,112

Note 1: based on the total revenue attributed to the sales of each product and the total number of units sold.

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Retail

During the Track Record Period, the majority of our revenue is derived from retail sales through our retail network, which accounted for approximately 88.1%, 90.7%, 92.6% and 91.8% of our total revenue for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. Our Directors believe the growth in our revenue during the years ended 31 March 2015, 2016 and 2017 and, as compared with the corresponding five months ended 31 August 2016, the five months ended 31 August 2017 was primarily due to (i) the higher penetration of our retail network through retail stores, specialty stores and roadshows; and (ii) the increased demand in response to our strengthened brand image and marketing activities.

In our retail sales, our shop brands are “Ulferts”, “Dormire” and “Eurodecor” and “Ulfenbo” is our products brand. The following table shows a breakdown of our Group’s revenue and operating profit in retail sales and the relevant approximate percentages of our revenue and operating profit derived from retail sales for each of the brands for the Track Record Period:

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Notes:

1. The sales amount includes miscellaneous sales which include online sales, disposal sales and staff sales in aggregate of approximately HK\$1,217,000, HK\$1,361,000, HK\$714,000 and HK\$177,000 for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively.
2. Operating profit/(loss) at store level is calculated by deducting cost of inventories sold, selling and distribution expenses and general and administrative expenses that are directly attributable to respective stores (including store level rentals and related expenses, store level employee benefit expenses, store level depreciation, store level bank charges, store level utilities expenses and other store level expenses). Other income and expenses that are not directly attributable to respective stores (including rentals and related expenses not related to store level, employee benefit expenses not related to store level, advertising and promotion expenses, write-down of inventories to net realisable value, reversal of write-down of inventories to net realisable value, cost of delivery from warehouse and warehouse expenses, sundry income, expenses relating to wholesale and special projects, expenses relating to employee training/recruitment, bank charges not related to store level, entertainment expenses, foreign exchange differences, and professional fees) are excluded in the calculation of operating profit/(loss) at store level.

Operating profit/(loss) margin at store level of each store is the percentage arrived at by dividing operating profit/(loss) at store level by revenue of each respective store.
3. Operating profit/(loss) at store level and operating profit/(loss) margin at store level are not GAAP items/measures. We have presented these non-GAAP items/measures as supplemental measures of our operating performance at store level. Other companies in our industry might calculate these non-GAAP items/measures differently than we do and, accordingly, might not be directly comparable. These non-GAAP items/measures are not measures of financial performance or operating cash flows under HKFRSs and should not be considered as a substitute for, or superior to, profit before tax or cash flows from operating activities determined in accordance with HKFRSs. These non-GAAP items/measures have limitations as analytical tools/measures, and you should not consider them in isolation or as substitutes for analysis of our financial performance and operating cash flows as reported under HKFRSs. Each of these non-GAAP items/measures should be read in conjunction with this footnote with due consideration of their calculation basis, limitations, appropriateness and relevancy. Our presentation of these non-GAAP items/measures should not be construed as an inference/indication that our future operating results, financial performance and operating cash flows will be unaffected by unusual or non-recurring items.
3. These shops opened on various dates in 2017 and their performances were affected by the incurrence of effective rental and related expenses during renovation period prior to opening.
4. This is our first Dormire speciality store after conversion of the Tsim Sha Tsui store for retail of Ulfenbo products. The performance of this store has been mediocre for the financial year ended 31 March 2017, being the full financial year after its opening, and has declined for the 5 months ended 31 August 2017. The Group planned to close this store by the end of its current tenancy in July 2018 and will look for alternative location in the vicinity.
5. The sales amount includes online sales, disposal sales and staff sales in aggregate of approximately HK\$141,000, HK\$91,000, HK\$642,000 and HK\$212,000 for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively.

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For the five months ended 31 August 2017, the revenue generated from “Ulferts” amounted to approximately HK\$73.6 million, representing an increase of approximately HK\$8.4 million or 12.9% from that of the five months ended 31 August 2016. Such increase was due to the opening of the Kowloon Bay “Ulferts” store in early July 2017 and improved performance across the retail stores generally. The revenue generated from Dormire/Ulfenbo amounted to approximately HK\$9.5 million for the five months ended 31 August 2017. The revenue generated from Eurodecor for the five months ended 31 August 2017 amounted to approximately HK\$2.2 million.

For the year ended 31 March 2017, the revenue generated from “Ulferts” amounted to approximately HK\$182.1 million, representing an increase of approximately HK\$13.8 million or 8.2% from that of approximately HK\$168.3 million for the year ended 31 March 2016. Such increase was primarily due to the growth in sales of the newly opened retail stores at Whampoa and Yuen Long. The revenue generated from Dormire/Ulfenbo amounted to approximately HK\$17.6 million for the year ended 31 March 2017, representing an increase of approximately HK\$3.5 million or 24.8% from that of approximately HK\$14.1 million for the year ended 31 March 2016. Such increase was mainly due to (i) the increase in sales from existing specialty stores; and (ii) the opening of additional retail stores and roadshows during the year ended 31 March 2017. The revenue generated from Eurodecor for the year ended 31 March 2017 remained stable at approximately HK\$8.1 million compared to approximately HK\$8.2 million for the year ended 31 March 2016.

For the year ended 31 March 2016, the revenue generated from Ulferts amounted to approximately HK\$168.3 million, representing an increase of approximately HK\$17.1 million or 11.3% from approximately HK\$151.2 million for the year ended 31 March 2015. Such increase was primarily due to the increase in sales attributable to our Kornhill, Whampoa and Yuen Long retail stores newly opened during the year ended 31 March 2016. The revenue generated from Dormire/Ulfenbo for the year ended 31 March 2016 amounted to approximately HK\$14.1 million, representing an increase of approximately HK\$8.9 million or 171.2% from that of approximately HK\$5.2 million for the year ended 31 March 2015. Such increase was mainly due to the increase in sales attributable to the opening of additional specialty stores and roadshows during the year ended 31 March 2016. The revenue generated from Eurodecor for the year ended 31 March 2016 amounted to approximately HK\$8.2 million, representing an increase of approximately HK\$4.9 million or 148.5% from that of approximately HK\$3.3 million for the year ended 31 March 2015. Such increase was mainly due to the full year revenue generated during the year ended 31 March 2016 when compared with approximately seven months revenue contributed to the Group during the year ended 31 March 2015 since the acquisition of Eurodecor was completed on 2 September 2014.

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During the Track Record Period, approximately 61.7%, 59.9%, 63.0% and 62.4% of our total retail sales respectively was attributed to sales from sofas. The following table sets forth the sales volume and revenue breakdown of retail sales of sofas by price range for the Track Record Period:

	Year ended 31 March									Five months ended 31 August		
	2015			2016			2017			2017		
	Sales Volume (unit)	HK\$'000	% of total	Sales Volume (unit)	HK\$'000	% of total	Sales Volume (unit)	HK\$'000	% of total	Sales Volume (unit)	HK\$'000	% of total
Below HK\$10,000	2,110	14,040	14.3	2,625	15,251	13.4	3,046	17,960	13.7	1,262	6,727	12.6
HK\$10,001 to HK\$20,000	991	15,735	15.9	1,050	17,054	14.9	1,161	18,595	14.2	477	7,730	14.5
HK\$20,001 to HK\$30,000	1,195	30,251	30.7	1,345	33,500	29.4	1,731	42,651	32.6	805	19,825	37.3
HK\$30,001 to HK\$40,000	491	17,197	17.5	502	16,932	14.8	501	17,942	13.7	173	6,200	11.7
HK\$40,001 to HK\$50,000	298	12,813	13.0	456	19,559	17.1	463	20,618	15.7	187	8,329	15.7
Over HK\$50,000	118	8,421	8.6	170	11,843	10.4	208	13,272	10.1	68	4,383	8.2
Total	5,203	98,457	100.0	6,148	114,139	100.0	7,110	131,038	100.0	2,972	53,194	100.0

We price our products of retail sales on a cost-plus basis by taking into account our costs of purchases and target profit margins. We also take into account factors such as quality and conditions of the products, market demand, popularity of the brands, the design, craftsmanship and technical innovations of the products.

Our retail stores entered into joint promotion programmes with a number of banks and other strategic partners such as the reward programme Asia Miles from time to time and offer sales discounts to customers who made purchases using credit cards issued by these banks and offered Asia Miles to customers who are members of the reward programme. We also schedule periodic promotional campaigns for our retail stores such as summer sales, Christmas sales, annual sales and stock clearance sales in order to boost sales. The commencement of the stock clearance sale period varies from year to year and tied in with the Chinese New Year. During the Track Record Period, the aggregate sales in promotional campaign period represented approximately 76.4%, 73.6%, 63.6% and 59.0% of our Group's total revenue for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

Our Directors consider that our Group's sales is affected by seasonality. Our Group experiences higher sales from November to January arising from the increase in domestic consumption before Christmas and Chinese New Year. For each of the three years ended 31 March 2015, 2016 and 2017, retail sales in these three months represented approximately 31.6%, 32.2% and 34.5% of our Group's total retail sales of the respective year.

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Wholesale

Our Group's revenue in wholesale is attributed to our "Ulfenbo" products. The following table shows a breakdown of such revenue and the approximate percentage of revenue derived from each of the principal product categories during the Track Record Period.

	2015		Year ended 31 March 2016		2017		Five months ended 31 August 2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Mattress	12,206	83.7	11,943	86.9	11,941	90.9	4,814	94.1
Sofa	2,379	16.3	1,790	13.0	1,193	9.1	297	5.8
Others	1	0.0	17	0.1	4	0.0	4	0.1
Total	14,586	100.0	13,750	100.0	13,138	100.0	5,115	100.0

During the Track Record Period, revenue derived from wholesale of our "Ulfenbo" products accounted for approximately 8.0%, 6.5%, 5.9% and 5.5% of our total revenue for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. The revenue generated from our "Ulfenbo" mattress remained stable for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017. The revenue generated from our "Ulfenbo" sofa decreased from approximately HK\$2.4 million for the year ended 31 March 2015 to approximately HK\$1.8 million for the year ended 31 March 2016 and further decreased to approximately HK\$1.2 million for the year ended 31 March 2017, mainly as a result of the shifting of revenue from our Ulfenbo sofas from wholesale to retail through our specialty stores and roadshows.

It is our policy that no sales return from the dealers is accepted except for material manufacturing defects or defects arising during the course of delivery.

Cost of sales and gross profit

The table below sets forth the breakdown of our Group's cost of sales by business during the Track Record Period:

(i) Cost of sales

	2015		Year ended 31 March 2016		2017		Five months ended 31 August 2016		Five months ended 31 August 2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Retail	59,318	83.1	63,757	85.6	71,489	90.5	25,090	90.7	29,777	88.8
Wholesale	7,415	10.4	6,700	9.0	6,409	8.1	2,436	8.8	2,358	7.0
Special Projects	4,682	6.5	4,034	5.4	1,129	1.4	133	0.5	1,394	4.2
Total	71,415	100.0	74,491	100.0	79,027	100.0	27,659	100.0	33,529	100.0

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For each of the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our Group's cost of sales was approximately HK\$71.4 million, HK\$74.5 million, HK\$79.0 million and HK\$33.5 million, respectively. Cost of sales included primarily cost of inventories sold, which are recognised when the revenue in relation to sales of the products are recognised.

The following table sets out the breakdown of cost of sales by components for the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Cost of inventories sold	71,464	100.1	74,049	99.4	78,904	99.8	27,338	98.8	33,482	99.9
Reversal of write-down of inventories to net realisable value	(175)	(0.3)	(63)	(0.1)	(169)	(0.2)	-	-	-	-
Write-down of inventories to net realisable value	126	0.2	505	0.7	292	0.4	321	1.2	47	0.1
Total	71,415	100.0	74,491	100.0	79,027	100.0	27,659	100.0	33,529	100.0

During the Track Record Period, the increase in our cost of sales was mainly due to corresponding increase in revenue of our Group. Cost of inventories contributed substantially all of the cost of sales for our revenue generated from our retail, wholesale and Special Projects. Cost of sales was arrived at by including the net amount of write-down of inventories to net realisable value and reversal of write-down of inventories to net realisable value.

(ii) *Gross profit and gross profit margin*

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %
Retail	100,385	62.9	126,718	66.5	136,370	65.6	48,566	65.9	55,454	65.1
Wholesale	7,171	49.2	7,050	51.3	6,729	51.2	2,625	51.9	2,757	53.9
Special Projects	2,376	33.7	1,811	31.0	2,205	66.1	124	48.2	1,110	44.3
Total	109,932	60.6	135,579	64.5	145,304	64.8	51,315	65.0	59,321	63.9

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Our gross profit is derived from our revenue less cost of sales. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our gross profit was approximately HK\$109.9 million, HK\$135.6 million, HK\$145.3 million and HK\$59.3 million respectively. Our cost of sales and each of the components of our cost of sales, as a percentage changed during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, thereby leading to change in our gross profit margin to approximately 60.6%, 64.5%, 64.8% and 63.9%, respectively.

Our gross profit varied principally as a result of the composition of our retail, wholesale and Special Projects revenue, changing conditions of the markets, and their effect on product pricing, product mix and our cost of sales. Generally, the gross profit margin of our retail business is higher than the gross profit margin of our wholesale business to cover its higher distribution and selling expenses, while the gross profit margin of our Special Projects varies according to the projects involved.

In general, the gross profit margin for our retail business is lower in the promotion campaign period due to the higher discount offered. The duration of promotional campaign period was approximately 218 days, 229 days, 216 days and 114 days for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The commencement of the stock clearance sale period varies from year to year and tied in with the Chinese New Year. The increase of gross profit margin of our retail business from approximately 62.9% during the year ended 31 March 2015 to approximately 66.5% during the year ended 31 March 2016 was mainly due to (i) tightening of discount policy; and (ii) the depreciation of Euro. For the year ended 31 March 2017, the gross profit margin for our retail business remained relatively stable at the level of approximately 65.6%.

The gross profit margin of our wholesale business remained relatively stable at a range between approximately 49.2% and 53.9% during the Track Record Period. The gross profit margin of our Special Projects also remained relatively stable during the years ended 31 March 2015 and 2016. For the year ended 31 March 2017, the increase in the gross profit margin of our Special Projects business was primarily attributable to the provision of more furniture procurement consultancy services with no direct cost attributable. For the five months ended 31 August 2017, the gross profit margin of our Special Projects was approximately 44.3%. Such decrease was mainly due to the absence of contribution from furniture procurement consultancy services.

The following table sets out the gross profit and gross profit margin of our products imported from Europe and Asia (including the PRC) during the Track Record Period:

	2015			Year ended 31 March 2016			2017			Five months ended 31 August 2017		
	Cost of sales	Gross profit	Gross profit margin	Cost of sales	Gross profit	Gross profit margin	Cost of sales	Gross profit	Gross profit margin	Cost of sales	Gross profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Products imported from Europe	45,902	79,767	63.5	49,219	103,624	67.8	55,479	111,446	66.8	23,696	45,227	65.6
Products imported from Asia (including the PRC)	25,513	30,165	54.2	25,272	31,955	55.8	23,548	33,858	59.0	9,833	14,094	58.9
	<u>71,415</u>	<u>109,932</u>	<u>60.6</u>	<u>74,491</u>	<u>135,579</u>	<u>64.5</u>	<u>79,027</u>	<u>145,304</u>	<u>64.8</u>	<u>33,529</u>	<u>59,321</u>	<u>63.9</u>

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Other income and gains

Other income and gains of our Group amounted to approximately HK\$829,000, HK\$835,000, HK\$4,626,000 and HK\$383,000 for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively, which are mainly comprised of service income derived from delivery services for wholesale dealers. The table below sets forth the breakdown of our Group's other income and gains for the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Other service income	486	667	701	267	282
Gain on disposal of items of property, plant and equipment	26	–	75	–	–
Provisions for reinstatement costs – reversal of unutilised provisions/decrease in estimated provisions <i>(Note (a))</i>	–	–	3,574	383	–
Others <i>(Note (b))</i>	<u>317</u>	<u>168</u>	<u>276</u>	<u>75</u>	<u>101</u>
Total	<u>829</u>	<u>835</u>	<u>4,626</u>	<u>725</u>	<u>383</u>

Notes:

- (a) The reversal of unutilised provisions/decrease in estimated provisions represents the amount recognised in profit or loss in respect of changes in the measurement of existing provisions for reinstatement costs that resulted from a decrease in the estimated amount of future outflows of resources required to settle the respective reinstatement obligations.
- (b) Others mainly represent miscellaneous income from additional services such as inspection and repair services provided by our Group and forfeited deposits from customers.

Our Group's other income and gains for the year ended 31 March 2017 was significantly higher than those of the years ended 31 March 2015 and 2016, which was attributable to (i) the one-off gain from reversal of unutilised provisions/decrease in estimated provisions for reinstatement costs in relation to our retail stores in Cyberport, Tin Hau, Shatin and Whampoa and our "Eurodecor" shop which was caused by either the adjustment of reinstatement costs based on estimation by the contractors, or the difference of the previously estimated reinstatement costs and the reinstatement costs actually incurred upon termination of the lease period; and (ii) the increase in other service income, which is a major component of other income and gains, and which increased over the three years ended 31 March 2015, 2016 and 2017 due to the increase in delivery services for wholesale

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dealers. For the five months ended 31 August 2017, our Group recorded other service income of approximately HK\$282,000 which represented approximately 73.6% of other income and gains for the period.

Expenses

Selling and distribution expenses

Selling and distribution expenses mainly comprise of rent, rates and building management fees of our Group's retail stores, warehouse, department store counters and roadshow venues, staff costs including sales commissions, salaries and other employee benefits, advertising and promotion costs, and various miscellaneous expenses. The following table sets out the breakdown of the selling and distribution expenses of our Group during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Advertising and promotion	7,828	11,103	8,599	3,396	5,357
Credit card and debit card charges	2,822	3,380	3,540	1,443	1,837
Depreciation relating to retail stores and warehouse	3,892	8,665	9,253	4,392	3,548
Rent, rates and building management fees	29,088	40,496	46,425	18,924	23,828
Salaries and other employee benefits	18,040	22,955	24,637	9,289	11,363
Others (<i>Note</i>)	<u>3,205</u>	<u>3,565</u>	<u>3,501</u>	<u>1,274</u>	<u>1,679</u>
Total	<u>64,875</u>	<u>90,164</u>	<u>95,955</u>	<u>38,718</u>	<u>47,612</u>

Note: Others mainly represent general operating expenses associated with our retail stores and warehouse such as delivery cost, water and electricity, repair and maintenance, and motor vehicle expenses, etc.

Rent, rates and building management fees, the largest component of selling and distribution expenses, was approximately HK\$29.1 million, HK\$40.5 million, HK\$46.4 million and HK\$23.8 million representing approximately 44.8%, 44.9%, 48.4% and 50.0% of our total selling and distribution expenses for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

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The following table illustrates the breakdown of our Group's rent, rates and building management fees for our retail stores, specialty stores, warehouse, department store counters and roadshow venues during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015 <i>HK'000</i>	2016 <i>HK'000</i>	2017 <i>HK'000</i>	2016 <i>HK'000</i> (Unaudited)	2017 <i>HK'000</i>
Retail stores – Ulferts/ Eurodecor	18,222	25,567	30,442	12,491	15,715
Retail stores – Ulfenbo	641	630	1,363	435	1,663
Warehouse	9,696	11,082	11,134	4,671	4,692
Roadshows and department store counters	<u>529</u>	<u>3,217</u>	<u>3,486</u>	<u>1,327</u>	<u>1,758</u>
Total	<u>29,088</u>	<u>40,496</u>	<u>46,425</u>	<u>18,924</u>	<u>23,828</u>

The following table sets out the fixed and variable components of the rental expenses for our retail stores, warehouse, department store counters and roadshow venues during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Retail stores – Ulferts/ Eurodecor					
– Fixed Rent	15,451	21,217	25,089	10,236	12,387
– Turnover Rent	206	207	618	48	70
Retail stores – Dormire					
– Fixed Rent	523	516	1,094	350	1,344
– Turnover Rent	–	–	–	–	–
Warehouse (Fixed Rent only)	8,339	9,720	9,685	4,035	4,035
Roadshow venues and department store counters					
– Fixed Rent	529	3,076	2,696	977	1,323
– Turnover Rent	<u>–</u>	<u>137</u>	<u>759</u>	<u>333</u>	<u>420</u>
Total rental expenses	<u>25,048</u>	<u>34,873</u>	<u>39,941</u>	<u>15,979</u>	<u>19,579</u>

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The second main component of selling and distribution expenses was salaries and other employee benefits, which represented approximately 27.8%, 25.5%, 25.7% and 23.9% of our total selling and distribution expenses for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively. The increase in salaries and other employee benefits expenses was attributable to the increase in salaries and commission paid to our sales staff as a result of the increase in total sales throughout the Track Record Period.

For the three years ended 31 March 2015, 2016 and 2017, selling and distribution expenses represented approximately 35.8%, 42.9% and 42.8% of our revenue, respectively. The increase in percentage of selling and distribution expenses to our revenue for the two financial years ended 31 March 2016 and 2017 respectively as compared to that for the year ended 31 March 2015 was mainly due to the incurrence of start-up costs of our new retail stores opened during the year ended 31 March 2016 and the warm up period required for the sales of those new stores to build up.

The selling and distribution expenses for the five months ended 31 August 2017 represented approximately 51.3% of our revenue for the period, which was slightly higher than the 49.0% for the corresponding period in 2016 mainly due to start up costs for new retail stores opened during the five months ended 31 August 2017.

General and administrative expenses

General and administrative expenses mainly comprise of directors' remuneration and administrative staff costs, rent and rates of our office, auditor's remuneration, depreciation for our office and other various operating expenses. The following table sets out the breakdown of our Group's general and administrative expenses during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Auditor's remuneration	415	405	400	154	168
Depreciation	186	193	203	81	84
Rent, rates and building management fee	1,711	1,715	1,720	717	811
Directors' remuneration and administrative staff costs	11,652	12,650	12,300	4,683	4,971
Listing expenses	-	-	-	-	9,025
Others (<i>Note</i>)	3,711	4,281	3,779	1,325	2,210
Total	17,675	19,244	18,402	6,960	17,269

Note: Others mainly represent general operating expenses of our office such as loss/gain on disposal/write-off of items of property, plant and equipment, staff welfare, travelling, cleaning and telephone, etc.

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For the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, general and administrative expenses represented approximately 9.7%, 9.2%, 8.2% and 18.6% of our revenue, respectively. The major component of general and administrative expenses was directors' remuneration and administrative staff costs, which were approximately HK\$11.7 million, HK\$12.7 million, HK\$12.3 million and HK\$5.0 million, accounting for approximately 65.9%, 65.7%, 66.8% and 28.8% of our total general and administrative expenses for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. Such fluctuations for the years ended 31 March 2015, 2016 and 2017 were mainly attributable to the fluctuations in our staff costs arising from the fluctuation in the amount of discretionary bonuses. For the five months ended 31 August 2017, the increase in general and administrative expenses was mainly attributable to (i) the incurrence of approximately HK\$9.0 million for listing expenses; and (ii) approximately HK\$536,000 for writing off leasehold improvements arising from the closure of the Hunghom store.

Finance cost

Finance cost mainly represents interest expense arising from our Group's bank borrowings, which was approximately HK\$63,000, HK\$2,000, HK\$1,000 and HK\$18,000 for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 respectively. Our Group had low reliance on bank borrowings during the Track Record Period.

Income tax expense

Our Group is subject to Hong Kong Profits Tax which is calculated based on the applicable tax rates and the assessable profits of our Company and its subsidiaries. Our applicable tax rate in Hong Kong for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was 16.5%. Our Directors confirm that our Group has made all required tax filings and paid all outstanding tax liabilities with the relevant tax authorities, and is not subject to any dispute or potential dispute with any tax authorities as at the Latest Practicable Date.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the effective tax rates of our Group were approximately 17.3%, 17.2%, 15.3% and -12.4% respectively.

DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Revenue

Our revenue increased by approximately HK\$13.9 million, or approximately 17.6%, from approximately HK\$79.0 million for the five months ended 31 August 2016 to approximately HK\$92.9 million for the five months ended 31 August 2017. The increase was primarily attributable to the increase in revenue derived in our retail sales by approximately HK\$11.5 million from approximately HK\$73.7 million for the five months ended 31 August

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2016 to approximately HK\$85.2 million for the five months ended 31 August 2017. The increase was attributable to the opening of the Kowloon Bay “Ulferts” store and improved performance across the retail stores generally.

The amount of retail sales orders not yet recognised as revenue as at 31 August 2017 amounted to approximately HK\$43.4 million, representing an increase of approximately HK\$7.3 million as compared to that of approximately HK\$36.7 million as at 31 August 2016.

Revenue derived from our Special Projects for the five months ended 31 August 2017 increased by approximately HK\$2.2 million from approximately HK\$257,000 for the five months ended 31 August 2016 to approximately HK\$2.5 million for the five months ended 31 August 2017, as a result of the increase in number of our Special Projects.

Cost of sales

Our cost of sales increased by approximately 20.9% from approximately HK\$27.7 million for the five months ended 31 August 2016 to approximately HK\$33.5 million for the five months ended 31 August 2017. The increase was mainly attributable to the increase in cost of sales for our retail sales.

Our cost of sales for retail sales increased by approximately 18.7% from approximately HK\$25.1 million for the five months ended 31 August 2016 to approximately HK\$29.8 million for the five months ended 31 August 2017. The increase in our cost of sales for retail sales was mainly due to the corresponding increase in revenue derived from our retail sales of approximately 15.7%.

Our cost of sales for wholesale decreased by approximately 3.2% from approximately HK\$2,436,000 for the five months ended 31 August 2016 to approximately HK\$2,358,000 for the five months ended 31 August 2017. Cost of sales decreased despite increment in revenue by approximately 1.1% due to increment in selling price of products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 15.6% from approximately HK\$51.3 million for the five months ended 31 August 2016 to approximately HK\$59.3 million for the five months ended 31 August 2017 and our gross profit margin slightly decreased from approximately 65.0% to approximately 63.9% as compared to the five months ended 31 August 2016.

Other income and gains

Other income and gains of our Group for the five months ended 31 August 2017 was approximately HK\$383,000, a decrease of approximately HK\$342,000 or approximately 47.2%, from approximately HK\$725,000 for the five months ended 31 August 2016. Such decrease was mainly due to the absence of one-off reversal of unutilised provision for reinstatement cost relating to the Cyperport store.

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Selling and distribution expenses

Selling and distribution expenses of our Group for the five months ended 31 August 2017 was approximately HK\$47.6 million, accounted for an increase of approximately HK\$8.9 million, or approximately 23.0%, as compared to approximately HK\$38.7 million for the five months ended 31 August 2016. Such increase was mainly attributable to (i) the increase in rent, rates and building management fees; (ii) the increase in advertising and promotion cost; and (iii) the increase in salaries and other employee benefits. Salaries and other employee benefits increased by approximately HK\$2.1 million from approximately HK\$9.3 million for the five months ended 31 August 2016 to approximately HK\$11.4 million for the five months ended 31 August 2017. The increase was primarily attributable to (i) the increase in salaries and commission paid to our sales and delivery staff as a result of the increase in total sales; and (ii) the increase in the number of head count of sales staff.

Our expenses on rent, rates and building management fees increased by approximately 25.9% from approximately HK\$18.9 million for the five months ended 31 August 2016 to approximately HK\$23.8 million for the five months ended 31 August 2017, due to (i) the commencement of Kowloon Bay store's tenancy in May 2017; and (ii) the commencement of Dormire stores' tenancies at Ngau Tau Kok, Tsuen Wan, Tseung Kwan O (MCP Central) and Tseung Kwan O (PopWalk) in February, March, April and July 2017, respectively.

Our advertising and promotion expenses increased by approximately 58.8% from approximately HK\$3.4 million for the five months ended 31 August 2016 to approximately HK\$5.4 million for the five months ended 31 August 2017, due to increase in expenses incurred for promotion of Kowloon Bay store.

Our selling and distribution expenses as a percentage of our total revenue slightly increased from approximately 49.0% for the five months ended 31 August 2016 to approximately 51.3% for the five months ended 31 August 2017 mainly due to (i) the incurrance of rental and related expenses during the renovation period of the new stores without corresponding contribution of revenue; and (ii) the incurrance of advertising and promotion expenses.

General and administrative expenses

Our general and administrative expenses substantially increased by approximately HK\$10.3 million, or approximately 147.1%, from approximately HK\$7.0 million for the five months ended 31 August 2016 to approximately HK\$17.3 million for the five months ended 31 August 2017. The increase was mainly attributable to (i) listing expenses of approximately HK\$9.0 million incurred in the five months ended 31 August 2017; and (ii) approximately HK\$536,000 for writing off leasehold improvements arising from the closure of Hunghom store.

As a result of the foregoing, our general and administrative expenses as a percentage of our total revenue substantially increased from approximately 8.8% for the five months ended 31 August 2016 to approximately 18.6% for the five months ended 31 August 2017.

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Profit/(loss) before tax

As a result of the foregoing, in particular, the incurrence of listing expenses of approximately HK\$9.0 million, writing off of leasehold improvements due to closure of the Hunghom store of approximately HK\$536,000 and the incurrence of rental and relevant expenses during the renovation period of new stores without corresponding contribution of revenue, our profit before tax decreased from a profit of approximately HK\$6.4 million for the five months ended 31 August 2016 to a loss of approximately HK\$5.2 million for the five months ended 31 August 2017.

Income tax expense

Our income tax expense decreased by approximately 41.3% from approximately HK\$1.1 million for the five months ended 31 August 2016 to approximately HK\$646,000 for the five months ended 31 August 2017. This decrease was mainly due to net loss recorded for the five months ended 31 August 2017 as explained above.

Profit/(loss) for the year

As a result of the foregoing, the profit/loss for the five months ended 31 August 2017 was a loss of approximately HK\$5.8 million as compared to a profit of approximately HK\$5.3 million for the five months ended 31 August 2016.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue increased by approximately HK\$14.2 million, or approximately 6.8%, from approximately HK\$210.1 million for the year ended 31 March 2016 to approximately HK\$224.3 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in revenue derived from our retail sales.

The increase in revenue was mainly attributable to the increase in our retail sales by approximately HK\$17.4 million from approximately HK\$190.5 million for the year ended 31 March 2016 to approximately HK\$207.9 million for the year ended 31 March 2017. The increase was primarily attributable to the full year operation of our Whampoa retail store (opened in October 2015) and Yuen Long retail store (opened in December 2015).

The increase in our revenue was partly offset by the decrease in revenue derived from our Special Projects of approximately 43.1% from approximately HK\$5.8 million for the year ended 31 March 2016 to approximately HK\$3.3 million for the year ended 31 March 2017, as a result of the decrease in number of our Special Projects.

Cost of sales

Our cost of sales increased by approximately 6.0% from approximately HK\$74.5 million for the year ended 31 March 2016 to approximately HK\$79.0 million for the year ended 31 March 2017. The increase was mainly attributable to the increase in cost of sales for our retail sales.

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Our cost of sales for retail sales increased by approximately 12.1% from approximately HK\$63.8 million for the year ended 31 March 2016 to approximately HK\$71.5 million for the year ended 31 March 2017. The increase in our cost of sales for retail sales was mainly due to the corresponding increase in revenue derived from our retail sales. The increase in cost of sales for our retail sales for the year ended 31 March 2017 was in line with the increase in revenue derived from our retail sales, which increased by approximately 9.1% for the year ended 31 March 2017.

Our cost of sales for wholesale decreased by approximately 4.5% from approximately HK\$6.7 million for the year ended 31 March 2016 to approximately HK\$6.4 million for the year ended 31 March 2017. The decrease in cost of sales for our wholesale was mainly due to the corresponding decrease in revenue derived from our wholesale. The decrease in cost of sales for our wholesale for the year ended 31 March 2017 was in line with the decrease in revenue derived from our wholesale of approximately 5.1%.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 7.2% from approximately HK\$135.6 million for the year ended 31 March 2016 to approximately HK\$145.3 million for the year ended 31 March 2017 and our gross profit margin slightly increased from approximately 64.5% to approximately 64.8% over the period.

Other income and gains

Other income and gains of our Group for the year ended 31 March 2017 of approximately HK\$4.6 million represent a significant increase of approximately HK\$3.8 million from approximately HK\$835,000 for the year ended 31 March 2016 primarily due to the reversal of unutilised provisions or decrease in estimated provisions for reinstatement costs in relation to our retail stores in Cyberport, Tin Hau, Shatin and Whampoa and our “Eurodecor” shop of approximately HK\$3.6 million.

Selling and distribution expenses

Selling and distribution expenses of our Group for the year ended 31 March 2017 was approximately HK\$96.0 million, accounted for an increase of approximately HK\$5.8 million, or approximately 6.4%, as compared to approximately HK\$90.2 million for the year ended 31 March 2016. Such increase was mainly attributable to (i) the increase in salaries and other employee benefits; and (ii) the increase in rent, rates and building management fees.

Salaries and other employee benefits increased by approximately HK\$1.6 million from approximately HK\$23.0 million for the year ended 31 March 2016 to approximately HK\$24.6 million for the year ended 31 March 2017. The increase was primarily attributable to the increase in salaries and commission paid to our sales and delivery staff as a result of the increase in total sales.

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Our expenses on rent, rates and building management fees increased by approximately 14.6% from approximately HK\$40.5 million for the year ended 31 March 2016 to approximately HK\$46.4 million for the year ended 31 March 2017, following the full year rental expenses for our Whampoa retail store and Yuen Long retail store.

Our selling and distribution expenses as a percentage of our total revenue remained stable at the level of approximately 42.9% to approximately 42.8% throughout the years ended 31 March 2016 and 2017.

General and administrative expenses

Our general and administrative expenses decreased by approximately HK\$0.8 million, or approximately 4.2%, from approximately HK\$19.2 million for the year ended 31 March 2016 to approximately HK\$18.4 million for the year ended 31 March 2017. The decrease was mainly attributable to (i) the decrease in directors' remuneration and administrative staff costs; and (ii) the decrease in general operating expenses.

The amount of directors' remuneration and administrative staff costs decreased by approximately HK\$0.4 million from approximately HK\$12.7 million for the year ended 31 March 2016 to approximately HK\$12.3 million for the year ended 31 March 2017, mainly due to the reduction of discretionary bonus. As a result of the foregoing, our general and administrative expenses as a percentage of our total revenue decreased from approximately 9.2% for the year ended 31 March 2016 to approximately 8.2% for the year ended 31 March 2017.

Profit before tax

As a result of the foregoing, our profit before tax increased by approximately 31.9% from approximately HK\$27.0 million for the year ended 31 March 2016 to approximately HK\$35.6 million for the year ended 31 March 2017. As our gross profit margin remained relatively stable for the two years ended 31 March 2016 and 2017, our profit margin before tax increased from approximately 12.9% for the year ended 31 March 2016 to approximately 15.9% for the year ended 31 March 2017 primarily due to (i) the efficiencies gained from our lower administrative expenses and higher retail revenue as a percentage of our total revenue; and (ii) the increase in our other income and gains.

Income tax expense

Our income tax expense increased by approximately 14.9% from approximately HK\$4.7 million for the year ended 31 March 2016 to approximately HK\$5.4 million for the year ended 31 March 2017. This increase was in line with our revenue growth for the year ended 31 March 2017. The effective tax rate of our Group decreased from approximately 17.2% for the year ended 31 March 2016 to approximately 15.3% for the year ended 31 March 2017 mainly due to the non-taxable income in respect of the reversal of unutilised provision for/decrease in estimated provisions for reinstatement costs for the year ended 31 March 2017.

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Profit for the year

As a result of the foregoing, our net profit increased by approximately 34.4% from approximately HK\$22.4 million for the year ended 31 March 2016 to approximately HK\$30.1 million for the year ended 31 March 2017. Our net profit margin increased from approximately 10.6% for the year ended 31 March 2016 to approximately 13.4% for the year ended 31 March 2017. The increase was primarily due to our higher other income and gains as a percentage of our revenue.

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our revenue for the year ended 31 March 2016 was approximately HK\$210.1 million, representing an increase of approximately 15.9% from approximately HK\$181.3 million for the year ended 31 March 2015. The increase was mainly attributable to the increase in our retail sales resulting from (i) the opening of our Kornhill retail store in May 2015, Whampoa retail store in October 2015 and Yuen Long retail store in December 2015; and (ii) the increase in revenue generated from Ulfenbo and Eurodecor Sales.

Revenue derived from our retail sales for the year ended 31 March 2016 increased by approximately 19.3% from approximately HK\$159.7 million for the year ended 31 March 2015 to approximately HK\$190.5 million for the year ended 31 March 2016. The increase in our retail sales was mainly attributable to (i) the increase in revenue generated from our Shatin retail store by approximately 21.5%; and (ii) the opening of our Kornhill retail store in May 2015, Whampoa retail store in October 2015 and Yuen Long retail store in December 2015, which contributed a total of approximately HK\$17.8 million to our revenue for the year ended 31 March 2016.

Cost of sales

Our cost of sales increased by approximately 4.3% from approximately HK\$71.4 million for the year ended 31 March 2015 to approximately HK\$74.5 million for the year ended 31 March 2016. The increase was mainly attributable to the increase in our cost of sales for retail sales.

Our cost of sales for retail sales increased by approximately 7.6% from approximately HK\$59.3 million for the year ended 31 March 2015 to approximately HK\$63.8 million for the year ended 31 March 2016. The increase in cost of sales for retail sales was in line with our revenue growth for the year ended 31 March 2016. The increase in cost of sales for our retail sales for the year ended 31 March 2016 was lower than the increase in revenue derived from our retail sales of approximately 19.3%. This was mainly due to higher gross profit margin of retail sales as a result of effective pricing strategies of our management and the tightening of our discount policy.

Our cost of sales of wholesale decreased by approximately 9.5% from approximately HK\$7.4 million for the year ended 31 March 2015 to approximately HK\$6.7 million for the year ended 31 March 2016. The decrease in cost of sales of our wholesale for the year

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ended 31 March 2016 was higher than the decrease in revenue derived from our wholesale of approximately 5.5%. This was primarily attributable to the decrease in the proportion of sales in our “Ulfenbo” sofas which had a comparatively lower gross profit margin than our “Ulfenbo” mattresses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 23.4% from approximately HK\$109.9 million for the year ended 31 March 2015 to approximately HK\$135.6 million for the year ended 31 March 2016. Our gross profit margin increased from approximately 60.6% for the year ended 31 March 2015 to approximately 64.5% for the year ended 31 March 2016.

Other income and gains

Other income and gains of our Group for the year ended 31 March 2016 was approximately HK\$835,000, representing an increase of approximately HK\$6,000 or approximately 0.7%, from approximately HK\$829,000 for the year ended 31 March 2015.

Selling and distribution expenses

Selling and distribution expenses of our Group for the year ended 31 March 2016 was approximately HK\$90.2 million, amounted to approximately 39.0% increase as compared to approximately HK\$64.9 million for the year ended 31 March 2015. Such increase was mainly due to (i) the increase in salaries and commissions paid to our sales staff as a result of increase in sales; (ii) the increase in advertising and promotion expenses; and (iii) the increase in rent, rates and building management fee expenses and depreciation.

Salaries and other employee benefits increased by approximately HK\$5.0 million from approximately HK\$18.0 million for the year ended 31 March 2015 to approximately HK\$23.0 million for the year ended 31 March 2016. The increase was primarily due to the increase in commission paid to our sales staff as a result of increase in total sales volume.

Our advertising and promotion expenses increased by approximately 42.3%, from approximately HK\$7.8 million for the year ended 31 March 2015 to approximately HK\$11.1 million for the year ended 31 March 2016. Such increase was primarily due to the increase in marketing promotion campaigns and public relation events for our Group’s 40th anniversary during the year ended 31 March 2016.

Rent, rates and building management fee expenses increased by approximately 39.2%, from approximately HK\$29.1 million for the year ended 31 March 2015 to approximately HK\$40.5 million for the year ended 31 March 2016, while depreciation increased by approximately HK\$4.8 million from approximately HK\$3.9 million for the year ended 31 March 2015 to approximately HK\$8.7 million for the year ended 31 March 2016. The increase was mainly attributable to the opening of our Kornhill retail store, Whampoa retail store and Yuen Long retail store during the year ended 31 March 2016.

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Our selling and distribution expenses as a percentage of our total revenue increased from approximately 35.8% for the year ended 31 March 2015 to approximately 42.9% for the year ended 31 March 2016 mainly due to the incurrence of start-up costs of our new retail stores opened during the year ended 31 March 2016 and the warm up period required for the sales of those new stores to build up.

General and administrative expenses

Our general and administrative expenses increased from approximately HK\$17.7 million for the year ended 31 March 2015 to approximately HK\$19.2 million for the year ended 31 March 2016. The increase was mainly due to the increase in directors' remuneration and administrative staff costs.

Directors' remuneration and administrative staff costs increased by approximately HK\$1.0 million from approximately HK\$11.7 million for the year ended 31 March 2015 to approximately HK\$12.7 million for the year ended 31 March 2016, which was mainly due to increase in the payment of discretionary bonus as a result of the improvement in business performance of our Group.

Our general and administrative expenses as a percentage of our total revenue remained relatively stable at approximately 9.7% and 9.2%, for the years ended 31 March 2015 and 2016 respectively.

Profit before tax

As a result of the foregoing, our profit before tax decreased by approximately 3.9% from approximately HK\$28.1 million for the year ended 31 March 2015 to approximately HK\$27.0 million for the year ended 31 March 2016. The decline in our profit before tax was mainly due to the substantial increase in our selling and distribution expenses incurred during the year ended 31 March 2016.

Income tax expense

Our income tax expense decreased by approximately 4.1% from approximately HK\$4.9 million for the year ended 31 March 2015 to approximately HK\$4.7 million for the year ended 31 March 2016. This decrease was mainly due to the decrease in our taxable income for the year ended 31 March 2016. The effective tax rates of our Group were approximately 17.3% and 17.2% for the years ended 31 March 2015 and 2016, respectively.

Profit for the year

As a result of the foregoing, our net profit decreased by approximately 3.9% from approximately HK\$23.3 million for the year ended 31 March 2015 to approximately HK\$22.4 million for the year ended 31 March 2016, and our net profit margin decreased from approximately 12.8% for the year ended 31 March 2015 to approximately 10.6% for the year ended 31 March 2016.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily from cash inflows from our operating activities and short-term bank borrowings. We had net cash inflows from operating activities of approximately HK\$36.3 million, HK\$21.6 million, HK\$28.9 million and HK\$7.5 million for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, respectively.

In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the expansion of our business. We have not experienced and do not expect to experience any difficulties in meeting our financial obligations as they become due.

Going forward, we believe our funding requirements will be satisfied through a combination of the net proceeds from the Share Offer, cash generated from our operating activities and borrowings from banks.

The following table sets out selected cash flow data from the consolidated statements of cash flows for the Track Record Period.

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)				
Net cash flows from operating activities	36,306	21,604	28,901	13,713	7,545
Net cash flows used in investing activities	(8,023)	(12,835)	(2,517)	(1,492)	(6,610)
Net cash flows from/(used in) financing activities	(36,758)	(2)	(1)	957	12,508
Net increase/(decrease) in cash and cash equivalents	(8,475)	8,767	26,383	13,178	13,443
Cash and cash equivalents at beginning of year/period	13,143	4,668	13,435	13,435	39,818
Cash and cash equivalents at end of year/period represented by cash and bank balances	4,668	13,435	39,818	26,613	53,261

Cash flows from operating activities

Cash flows from operating activities are principally derived from the receipt of payments for our sales. Cash used in operating activities is mainly used to pay for costs and expenses relating to operating our business.

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Our net cash flows from operating activities was approximately HK\$7.5 million for the five months ended 31 August 2017, primarily reflecting cash outflow from operations before working capital changes of approximately HK\$955,000, as adjusted by approximately HK\$13.3 million increase in inventories, an approximately HK\$5.2 million increase in prepayments, deposits and other receivables primarily due to the prepayments for advertising and promotion, payment for rental deposits and rental prepayment and advance payment to suppliers, an increase of approximately HK\$3.9 million in trade and bills payables, and approximately HK\$25.7 million increase in other payables and accruals.

Our net cash flows from operating activities was approximately HK\$28.9 million for the year ended 31 March 2017, primarily reflecting cash generated from operations before working capital changes of approximately HK\$41.5 million, as adjusted by approximately HK\$2.1 million increase in inventories, an increase of approximately HK\$0.9 million in trade receivables, an approximately HK\$6.3 million increase in prepayments, deposits and other receivables primarily due to the prepayments for advertising and promotion, payment for rental deposits and rental prepayment and advance payment to suppliers, an increase of approximately HK\$1.7 million in trade and bills payables, approximately HK\$0.1 million decrease in other payables and accruals and a Hong Kong profits tax payment of approximately HK\$4.9 million.

Our net cash from operating activities was approximately HK\$21.6 million for the year ended 31 March 2016, primarily reflecting cash generated from operations before working capital changes of approximately HK\$36.3 million, as adjusted by approximately HK\$3.2 million decrease in inventories primarily due to the peak season for delivery occurred immediately before the Chinese New Year in mid-February 2016, approximately HK\$0.2 million decrease in trade receivables, approximately HK\$2.6 million increase in prepayments, deposits and other receivables, approximately HK\$5.1 million decrease in trade and bills payables, approximately HK\$3.6 million decrease in other payables and accruals and the payment of Hong Kong profits tax of approximately HK\$6.8 million.

Our net cash flows from operating activities was approximately HK\$36.3 million for the year ended 31 March 2015, primarily reflecting cash generated from operations before working capital changes of approximately HK\$32.4 million, as adjusted by approximately HK\$0.1 million increase in inventories, approximately HK\$2.0 million decrease in trade receivables, approximately HK\$89,000 increase in prepayments, deposits and other receivables, approximately HK\$0.5 million decrease in trade and bills payables, approximately HK\$5.6 million increase in other payables and accruals primarily due to the increase in the amount of deposits received from customers, approximately HK\$0.9 million decrease in provisions, and the payment of Hong Kong profits tax of approximately HK\$2.1 million.

Cash flows used in investing activities

Cash flows used in investing activities mainly consist of purchases of items of property, plant and equipment, acquisition of the Eurodecor Business and proceeds from disposal of items of property, plant and equipment.

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Our net cash flows used in investing activities was approximately HK\$6.6 million for the five months ended 31 August 2017, primarily reflecting approximately HK\$6.6 million used in purchases of items of property, plant and equipment which mainly related to furniture, fixtures and equipment as well as leasehold improvements for retail stores.

Our net cash flows used in investing activities was approximately HK\$2.5 million for the year ended 31 March 2017, primarily reflecting approximately HK\$2.6 million used in purchases of items of property, plant and equipment which mainly related to motor vehicles and furniture, fixtures and equipment as well as leasehold improvements for retail stores, and the proceeds from disposal of items of property, plant and equipment, of approximately HK\$0.1 million.

Our net cash flows used in investing activities was approximately HK\$12.8 million for the year ended 31 March 2016, primarily reflecting approximately HK\$12.5 million used in purchases of items of property, plant and equipment for furniture, fixtures and equipment as well as leasehold improvements for new retail stores and approximately HK\$300,000 used in settling the retention amount payable for the acquisition of the Eurodecor Business.

Our net cash flows used in investing activities was approximately HK\$8.0 million for the year ended 31 March 2015, primarily reflecting approximately HK\$5.5 million used in purchases of items of property, plant and equipment, approximately HK\$2.5 million used in acquisition of the Eurodecor Business, and approximately HK\$26,000 of proceeds from disposal of items of property, plant and equipment.

Net cash flows used in/from financing activities

Cash flows used in financing activities mainly consisted of repayment of bank borrowings, the interest paid for bank borrowings and dividend paid.

Our net cash flows from financing activities were approximately HK\$12.5 million for the five months ended 31 August 2017 due to approximately HK\$12.5 million from a net increase in drawdown of trust receipt loans.

Our net cash flows used in financing activities was approximately HK\$1,000 for the year ended 31 March 2017, primarily due to approximately HK\$1,000 interest paid.

Our net cash flows used in financing activities was approximately HK\$2,000 for the year ended 31 March 2016, primarily due to approximately HK\$2,000 interest paid.

Our net cash flows used in financing activities was approximately HK\$36.8 million for the year ended 31 March 2015, primarily due to approximately HK\$33.0 million dividend paid and approximately HK\$3.7 million used in repayment of bank borrowings.

WORKING CAPITAL

Our Directors are of the opinion that, after taking into consideration of the financial resources available to our Group, including our Group's available banking facilities and internally generated funds, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for its present working capital requirements, that is, for at least the next 12 months from the date of this prospectus.

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DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Statement of financial position

	As at 31 March			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 August 2017 HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13,748	20,131	12,647	16,112
Prepayments and deposits	9,019	7,666	6,762	10,185
Deferred tax assets	10	513	1,214	954
Total non-current assets	<u>22,777</u>	<u>28,310</u>	<u>20,623</u>	<u>27,251</u>
CURRENT ASSETS				
Inventories	34,648	30,995	32,944	46,227
Trade receivables	3,805	3,565	4,473	5,103
Prepayments, deposits and other receivables	2,408	6,333	13,520	15,266
Cash and cash equivalents	4,668	13,435	39,818	53,261
Total current assets	<u>45,529</u>	<u>54,328</u>	<u>90,755</u>	<u>119,857</u>
CURRENT LIABILITIES				
Trade and bills payables	8,715	3,570	5,246	9,177
Other payables and accruals	24,808	25,738	25,636	51,334
Interest-bearing bank borrowings	–	–	–	12,526
Provisions	50	4,110	2,445	345
Tax payable	1,970	360	1,622	2,008
Total current liabilities	<u>35,543</u>	<u>33,778</u>	<u>34,949</u>	<u>75,390</u>
NET CURRENT ASSETS	<u>9,986</u>	<u>20,550</u>	<u>55,806</u>	<u>44,467</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>32,763</u>	<u>48,860</u>	<u>76,429</u>	<u>71,718</u>
NON-CURRENT LIABILITIES				
Provisions	5,510	4,106	1,530	2,660
Net assets	<u>27,253</u>	<u>44,754</u>	<u>74,899</u>	<u>69,058</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	6,065	6,065	6,065	6,065
Retained profits	21,188	38,689	68,834	62,993
Total equity	<u>27,253</u>	<u>44,754</u>	<u>74,899</u>	<u>69,058</u>

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Non-Current assets

Our non-current assets mainly consisted of property, plant and equipment, prepayments and deposits, and deferred tax assets.

Our total non-current assets position increased from approximately HK\$22.8 million as at 31 March 2015 to approximately HK\$28.3 million as at 31 March 2016, representing an increase of approximately HK\$5.5 million or 24.1%. The increase was mainly attributable to the increase in property, plant and equipment from approximately HK\$13.7 million as at 31 March 2015 to approximately HK\$20.1 million as at 31 March 2016, representing an increase of approximately HK\$6.4 million or 46.7% as at 31 March 2016. However, this was partially offset by the decrease in the prepayments and deposits from approximately HK\$9.0 million as at 31 March 2015 to approximately HK\$7.7 million as at 31 March 2016, representing a decrease of approximately HK\$1.3 million or 14.4% as at 31 March 2016.

Our total non-current assets position decreased from approximately HK\$28.3 million as at 31 March 2016 to approximately HK\$20.6 million as at 31 March 2017, representing a decline of approximately HK\$7.7 million or 27.2%. The decrease was mainly attributable to the decrease in property, plant and equipment from approximately HK\$20.1 million as at 31 March 2016 to approximately HK\$12.6 million as at 31 March 2017, representing a drop of approximately HK\$7.5 million or 37.3% as at 31 March 2017, and the decrease in the prepayments and deposits from approximately HK\$7.7 million as at 31 March 2016 to approximately HK\$6.8 million as at 31 March 2017, representing decrease of approximately HK\$0.9 million or 11.7% as at 31 March 2017.

Our total non-current assets position increased from approximately HK\$20.6 million as at 31 March 2017 to approximately HK\$27.3 million as at 31 August 2017, representing an increase of approximately HK\$6.7 million or 32.5%. The increase was mainly attributable to the increase in property, plant and equipment from approximately HK\$12.6 million as at 31 March 2017 to approximately HK\$16.1 million as at 31 August 2017, representing an increase of approximately HK\$3.5 million or 27.8% as at 31 August 2017 mainly attributable to additions to leasehold improvements, and the increase in prepayments and deposits from approximately HK\$6.8 million as at 31 March 2017 to approximately HK\$10.2 million as at 31 August 2017, representing an increase of approximately HK\$3.4 million or 50.0% as at 31 August 2017 mainly attributable to rental and utilities deposits for new stores.

Current assets

Our current assets mainly consisted of inventories, trade receivables, prepayments, deposits and other receivables, and cash and cash equivalents.

Our inventories decreased by approximately 10.4%, from approximately HK\$34.6 million as at 31 March 2015 to approximately HK\$31.0 million as at 31 March 2016, the decreased was mainly attributable to the peak season for delivery occurred immediately before the Chinese New Year in mid-February 2016. However, inventories increased by approximately 6.1%, from approximately HK\$31.0 million as at 31 March 2016 to approximately HK\$32.9 million as at 31 March 2017. The increase in inventories as at 31 March 2017 was primarily attributable to the increase in inventory volume to meet with the increasing demand for our Group's products resulting from some new retail stores opening

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after 31 March 2017. Our inventories further increased by approximately 40.4%, from approximately HK\$32.9 million as at 31 March 2017 to approximately HK\$46.2 million as at 31 August 2017, and the increase was mainly attributable to the (i) increase in inventory volume in anticipation of the planned expansion of the Whampoa “Ulferts” store in October 2017; and (ii) the increase in sales orders not yet delivered.

Our prepayments, deposits and other receivables increased by approximately 162.5%, from approximately HK\$2.4 million as at 31 March 2015 to approximately HK\$6.3 million as at 31 March 2016 and further increased by approximately 114.3% to approximately HK\$13.5 million as at 31 March 2017. It further increased by approximately 13.3%, from approximately HK\$13.5 million as at 31 March 2017 to approximately HK\$15.3 million as at 31 August 2017. The increase in prepayments, deposits and other receivables during the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017 was principally due to the payment of rental deposits for new retail stores.

Cash and cash equivalents increased by approximately 185.1%, from approximately HK\$4.7 million as at 31 March 2015 to approximately HK\$13.4 million as at 31 March 2016 and further increased by approximately 197.0% to approximately HK\$39.8 million as at 31 March 2017. It further increased by approximately 33.9%, from approximately HK\$39.8 million as at 31 March 2017 to approximately HK\$53.3 million as at 31 August 2017. The increase was principally due to the cash inflows from our sales revenue during the Track Record Period.

Current liabilities

Our current liabilities mainly consisted of trade and bills payables, other payables and accruals, interest-bearing bank borrowings, provisions and tax payable.

Our other payables and accruals increased by approximately 3.6%, from approximately HK\$24.8 million as at 31 March 2015 to approximately HK\$25.7 million as at 31 March 2016 and remained at approximately HK\$25.6 million as at 31 March 2017. The increase in balance as at 31 March 2016 was mainly due to the increase in cash received in advance from the sale of gift vouchers. The balance slightly decreased as at 31 March 2017 which was principally due to the decrease in deferred revenue as at 31 March 2017. It substantially increased by approximately 100.4%, from approximately HK\$25.6 million as at 31 March 2017 to approximately HK\$51.3 million as at 31 August 2017. The increase in balance as at 31 August 2017 was mainly due to (i) the increase in accrual for listing expenses not yet paid as at 31 August 2017 of approximately HK\$3.9 million; and (ii) increase in the customer deposits of approximately HK\$16.8 million from approximately HK\$17.4 million as at 31 March 2017 to approximately HK\$34.2 million as at 31 August 2017. Such increase in customer deposits was due to the increase in sales orders not yet delivered from approximately HK\$22.4 million as at 31 March 2017 to approximately HK\$43.4 million as at 31 August 2017, of which the sales orders of approximately HK\$40.0 million were delivered to our customers up to the Latest Practicable Date.

Our trade and bills payables decreased by approximately 58.6%, from approximately HK\$8.7 million as at 31 March 2015 to approximately HK\$3.6 million as at 31 March 2016 which was mainly due to the relatively higher trade and bills payables as at 31 March 2015 as a result of the increase in purchases from our suppliers before year end for the opening of our Kornhill, Whampoa and Yuen Long stores. Our trade and bills payables increased by

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approximately 44.4% to approximately HK\$5.2 million as at 31 March 2017, which was mainly due to the increase in purchases from our suppliers before year end for the opening of our Kowloon Bay store. It further increased by approximately 76.9% to approximately HK\$9.2 million as at 31 August 2017, due to the increase in purchase of inventories during the five months ended 31 August 2017.

Our provisions substantially increased by approximately 81.2 times, from approximately HK\$50,000 as at 31 March 2015 to approximately HK\$4.1 million as at 31 March 2016 and decreased by approximately 41.5% to approximately HK\$2.4 million as at 31 March 2017. The substantially increase in provisions was mainly due to the increase in allocation for the reinstatement costs of certain leased properties. The balance slightly decreased as at 31 March 2017 which was principally due to the decrease in allocation for reinstatement costs.

Our interest-bearing bank borrowing as at 31 March 2015, 2016 and 2017 and 31 August 2017 were nil, nil, nil and approximately HK\$12.5 million, respectively. The existence of the interest-bearing bank borrowing as at 31 August 2017 was mainly due to the net increase in trust receipt loans for purchase of inventories.

Net current assets

Our Group's net current assets increased from approximately HK\$10.0 million as at 31 March 2015 to approximately HK\$20.6 million as at 31 March 2016 which was mainly due to the increase in our total current assets from approximately HK\$45.5 million as at 31 March 2015 to approximately HK\$54.3 million, primarily attributable to the increase in cash and cash equivalents, and further increase of our net current assets from approximately HK\$20.6 million as at 31 March 2016 to approximately HK\$55.8 million as at 31 March 2017 was mainly due to the increase in our total current assets from approximately HK\$54.3 million as at 31 March 2016 to approximately HK\$90.8 million, primarily attributable to the substantial increase in cash and cash equivalents.

DISCUSSION ON SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

The following table sets forth the gross amount of our inventories, inventory provision and net amount of inventories as at 31 March 2015, 2016 and 2017 and 31 August 2017:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount	38,057	34,707	36,779	50,109
Inventory provision	<u>(3,409)</u>	<u>(3,712)</u>	<u>(3,835)</u>	<u>(3,882)</u>
Net amount	<u>34,648</u>	<u>30,995</u>	<u>32,944</u>	<u>46,227</u>

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During the Track Record Period, in order to state the inventories at lower of cost and net realisable value, our Group has adopted the provision policies for inventories which are formulated with reference to factors such as the historical sales patterns and other specific attributes including market environment and customers preferences.

Our inventories primarily comprise of imported finished furniture and mattresses. The following table sets forth a summary of our inventories before provision as at 31 March 2015, 2016 and 2017 and 31 August 2017:

	As at 31 March				As at 31 August			
	2015		2016		2017		2017	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
Imported furniture	36,095	94.8	32,965	95.0	34,225	93.1	47,722	95.2
Mattresses	1,962	5.2	1,742	5.0	2,554	6.9	2,387	4.8
Total	<u>38,057</u>	<u>100.0</u>	<u>34,707</u>	<u>100.0</u>	<u>36,779</u>	<u>100.0</u>	<u>50,109</u>	<u>100.0</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the net amount of inventories amounted to approximately HK\$34.6 million, HK\$31.0 million, HK\$32.9 million and HK\$46.2 million respectively, representing approximately 76.1%, 57.1%, 36.3% and 38.6% of our Group's total current assets as at the corresponding date, respectively. Our inventories remained relatively stable as at 31 March 2015, 2016 and 2017 respectively. As at 31 August 2017, the amount of inventories increased by approximately HK\$13.3 million or approximately 40.4%, as compared to that at 31 March 2017 mainly due to (i) the planned expansion of the Whampoa "Ulferts" store in October 2017; and (ii) the increase in sales orders not yet delivered.

As disclosed in the section headed "Business – Inventory Management And Delivery Logistics – Inventory Control Policy" of this prospectus, as part of our inventory control policy, our chief executive officer sets an optimal maximum inventory level, which represented goods available for sale and immediate delivery, at the beginning of a financial year. A month end inventory balance will then be estimated which may fluctuate taking into account seasonality and shipping lead-time, which may take about few months for Ulferts or Eurodecor products, and sales orders yet to be delivered. The following table sets out the optimal maximum inventory level for each of our brands set at 1 April 2014, 2015, 2016 and 2017, respectively.

	As at 1 April			
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ulferts	28,000	24,000	25,000	27,000
Dormire/Ulfenbo	1,350	3,000	3,600	3,600
Eurodecor	N/A	2,500	2,500	2,500
	<u>29,350</u>	<u>29,500</u>	<u>31,100</u>	<u>33,100</u>

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The optimal maximum inventory level is different from the amount of inventories of the Group, which, included both goods in transit and goods sold but not yet delivered.

Our management closely monitor our inventory level by performing regular review of the carrying amounts of inventories with reference to aging analysis and other specific assessments of our Group's inventories, projections of expected future saleability of goods based on historical sales patterns and other specific attributes, and management experience and judgement, to ensure maintenance of sufficient level of inventories for our business operation. After netting off the amount of goods sold but not yet delivered of approximately HK\$6.5 million, HK\$6.7 million and HK\$7.2 million as at 31 March 2015, 2016 and 2017 respectively, the amount of inventories as at such dates fell within a 10% variance of the optimal maximum inventory level set at the beginning of the relevant financial year.

The following table sets forth the aging of our Group's inventories (before inventory provisions) and their subsequent sales:

	As at 31 March 2015		As at 31 March 2016		As at 31 March 2017		As at 31 August 2017		Subsequent sales of the balance as at 31 August 2017 up to the Latest Practicable Date (unaudited)	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of aging inventory	HK\$'000	% of aging inventory
Within one year	30,727	80.7	26,793	77.2	28,674	78.0	42,322	84.4	23,019	93.1
More than one year but less than two years	4,115	10.8	4,708	13.6	4,432	12.0	3,652	7.3	952	3.9
More than two years	3,215	8.5	3,206	9.2	3,673	10.0	4,135	8.3	746	3.0
	<u>38,057</u>	<u>100.0</u>	<u>34,707</u>	<u>100.0</u>	<u>36,779</u>	<u>100.0</u>	<u>50,109</u>	<u>100.0</u>	<u>24,717</u>	<u>100.0</u>

Inventories aged over one year represented approximately 19.3%, 22.8%, 22.0% and 15.6% of our Group's inventories before provision as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively. Our inventories remained stable over the three financial years ended 31 March 2015, 2016 and 2017 but the amount as at 31 August 2017 increased by approximately 36.2% as compared with that as at 31 March 2017 primarily due to the planned expansion of the Whampoa "Ulferts" store in October 2017 and the increase in sales orders not yet delivered. As at the Latest Practicable Date, the subsequent sale of inventories balance as at 31 August 2017 amounted to approximately HK\$24.7 million, representing approximately 53.5% of the inventories balance of approximately HK\$46.2 million as at 31 August 2017.

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The following table sets out our inventory turnover days after provision during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 1)</i>	<i>(Note 2)</i>
Inventory turnover days <i>(Note)</i>	172.3	160.8	147.7	177.1

Note:

1. Inventory turnover days is calculated by dividing the average inventory balance by the cost of goods sold of each of the financial period, multiplied by 365 days.
2. Inventory turnover days is calculated by dividing the average inventory balance by the cost of goods sold of each of the financial period, multiplied by 150 days.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, our inventory turnover days were approximately 172.3 days, 160.8 days, 147.7 days and 177.1 days, respectively. The reducing trend in our inventory turnover days for the three years ended 31 March 2015, 2016 and 2017 was primarily due to our growth of sales and corresponding increase in costs of sale while our level of inventory remained relatively stable for the Track Record Period. For the five months ended 31 August 2017, the increase of inventory turnover days was mainly due to increase in sales orders not yet delivered.

Our average inventory turnover days after provision were consistent with our Group's retail and wholesale business model in which we procure and maintain finished products which are ready for sales. In order to meet our strategy to provide available existing inventories to our customers, our Group maintains a level of inventories in our warehouse for our business operations. Our Group's level of inventories is determined with reference to the average manufacturing and transportation time required for the relevant inventories.

Trade receivables

Our Group's retail sales are usually paid in cash or by major credit/debit cards. Our Group's trading terms with our wholesale and Special Projects customers are mainly on credit, except for new wholesale and Special Projects customers, where payment in advance/upon delivery is normally required. The credit period for these customers is generally one to two months, or extending up to six months for major Special Projects customers. Our Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by our senior management. Our Group does not hold any collateral or other credit enhancement over our trade receivable balances.

Our trade receivables, including receivables from credit/debit card issuing companies, are non-interest-bearing.

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Our Group's trade receivables amounted to approximately HK\$3.8 million, HK\$3.6 million, HK\$4.5 million and HK\$5.1 million as at 31 March 2015, 2016 and 2017 and 31 August 2017 respectively, which mainly represented the unsettled credit card receivables from the credit card issuing companies. As at the Latest Practicable Date, except for trade receivables of approximately HK\$12,000 which are related to wholesales dealers and Special Projects, all other trade receivables as at 31 August 2017 of our Group were settled.

The following table sets forth the aging of our Group's trade receivables based on the invoice date:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	1,071	980	2,045	3,267
1 to 3 months	1,885	1,988	1,918	760
Over 3 months	<u>849</u>	<u>597</u>	<u>510</u>	<u>1,076</u>
	<u><u>3,805</u></u>	<u><u>3,565</u></u>	<u><u>4,473</u></u>	<u><u>5,103</u></u>

The following table sets forth the aging of our Group's trade receivables that are not considered to be impaired:-

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	2,071	1,181	2,820	3,640
Less than 1 month past due	885	1,757	1,094	631
1 to 3 months past due	844	84	105	80
Over 3 months past due	<u>5</u>	<u>543</u>	<u>454</u>	<u>752</u>
	<u><u>3,805</u></u>	<u><u>3,565</u></u>	<u><u>4,473</u></u>	<u><u>5,103</u></u>

Our receivables that were past due but not impaired relate to a number of independent debtors that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2015 <i>days</i> <i>(Note 1)</i>	2016 <i>days</i> <i>(Note 1)</i>	2017 <i>days</i> <i>(Note 1)</i>	2017 <i>days</i> <i>(Note 2)</i>
Trade receivables turnover days	9.6	6.4	6.5	7.7

Notes:

1. Trade receivables turnover days is calculated by dividing the average trade receivables balance by revenue of each of the financial period, multiplied by 365 days.
2. Trade receivables turnover days is calculated by dividing the average trade receivables balance by revenue of the period, multiplied by 150 days.

Our trade receivables turnover days decreased from approximately 9.6 days for the year ended 31 March 2015 to approximately 6.4 days for the year ended 31 March 2016 due to higher percentage of retail sales in the year ended 31 March 2016. Our trade receivables turnover days for the years ended 31 March 2016 and 2017 and the five months ended 31 August 2017 remained relatively stable at the level of approximately 6.4 to 7.7 days.

As at the Latest Practicable Date, approximately HK\$5.1 million or 99.8% of the outstanding balance of our trade receivables as at 31 August 2017 have been settled.

Prepayments, deposits and other receivables

The table below sets forth, as of the dates indicated, our prepayments, deposits and other receivables:

	As at 31 March			As at 31 August
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current				
Prepayments	1,283	954	1,876	4,804
Deposits and other receivables <i>(Note)</i>	1,125	5,379	11,644	10,462
	<u>2,408</u>	<u>6,333</u>	<u>13,520</u>	<u>15,266</u>
Non-current				
Prepayments	–	–	1,013	793
Deposits	9,019	7,666	5,749	9,392
	<u>9,019</u>	<u>7,666</u>	<u>6,762</u>	<u>10,185</u>

Note: Other receivables mainly represent advance payment to suppliers and miscellaneous receivables.

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Our prepayments, deposits and other receivables mainly include prepayments, advance payment to suppliers and rental deposits. The total balances increased from approximately HK\$11.4 million as at 31 March 2015 to approximately HK\$14.0 million as at 31 March 2016 which was principally due to deposits paid out for our new retail stores.

The total balance increased from approximately HK\$14.0 million as at 31 March 2016 to approximately HK\$20.3 million as at 31 March 2017 which was mainly attributable to the increase in prepayments for advertisement and promotion, payment for rental deposit and rental prepayment and increase in advance payment to suppliers. It further increased to approximately HK\$25.5 million as at 31 August 2017 which was mainly attributable to (i) rental and utilities deposits for new retail stores; and (ii) prepayments for listing expenses.

Trade and bills payables

Our trade and bills payables primarily consist of outstanding payables for our purchases of imported furniture and Ulfenbo products. In general, our Group is granted by our suppliers a credit period up to 120 days.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group's trade and bills payables amounted to approximately HK\$8.7 million, HK\$3.6 million, HK\$5.2 million and HK\$9.2 million, respectively.

The following table sets forth the trade payables and bills payables as at 31 March 2015, 2016 and 2017 and 31 August 2017:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,910	3,337	4,049	8,533
Bills payables	1,805	233	1,197	644
	<u>8,715</u>	<u>3,570</u>	<u>5,246</u>	<u>9,177</u>

The following table sets forth the aging of our Group's trade and bills payables, based on the invoice date, as at 31 March 2015, 2016 and 2017 and 31 August 2017:

	As at 31 March			As at
	2015	2016	2017	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	7,970	3,294	4,907	8,487
1 to 3 months	150	–	3	650
Over 3 months	595	276	336	40
	<u>8,715</u>	<u>3,570</u>	<u>5,246</u>	<u>9,177</u>

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The following table sets out our trade payables turnover days during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	<i>days</i> (<i>Note 1</i>)	<i>days</i> (<i>Note 1</i>)	<i>days</i> (<i>Note 1</i>)	<i>days</i> (<i>Note 2</i>)
Trade payables turnover days	23.3	25.1	17.1	28.1

Notes:

1. Trade payables turnover days is calculated by dividing the average trade payables balance by cost of sales of each of the financial period, multiplied by 365 days.
2. Trade payables turnover days is calculated by dividing the average trade payables balance by cost of sales of the period, multiplied by 150 days.

Our trade payables turnover days remained relatively stable from approximately 23.3 days for the year ended 31 March 2015 to approximately 25.1 days for the year ended 31 March 2016 and further decreased to approximately 17.1 days for the year ended 31 March 2017. It was mainly due to the improvement of settlement period. For the five months ended 31 August 2017, our trade payable turnover days sharply increased to approximately 28.1 days due to substantial increase in purchase of inventories.

As at the Latest Practicable Date, approximately HK\$9.1 million, or 99.2%, of our trade and bills payables outstanding as at 31 August 2017 have been paid.

Other payables and accruals

The table below sets forth, as of the dates indicated, our other payables and accruals:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred revenue	864	1,027	1,033	1,185
Customer deposits	17,357	17,926	17,421	34,245
Other payables and accruals (<i>Note</i>)	<u>6,587</u>	<u>6,785</u>	<u>7,182</u>	<u>15,904</u>
	<u>24,808</u>	<u>25,738</u>	<u>25,636</u>	<u>51,334</u>

Note: Other payables mainly represent accrual of listing expenses not yet paid and payables for operating expenses such as payroll, rental expenses, advertising expenses, administrative expenses and utilities.

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The total balance of other payables and accruals remained stable at approximately HK\$25.7 million and HK\$25.6 million as at 31 March 2016 and 31 March 2017 respectively. It substantially increased to approximately HK\$51.3 million as at 31 August 2017 mainly due to (i) substantial increase of customer deposits; and (ii) incurrence of listing expenses.

NET CURRENT ASSETS AND NET CURRENT LIABILITIES

The following table sets out our current assets and liabilities as at the date indicated:

	As at 31 March			As at 31 August	As at 30 November
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000	2017 HK\$'000
					(Unaudited)
CURRENT ASSETS					
Inventories	34,648	30,995	32,944	46,227	43,756
Trade receivables	3,805	3,565	4,473	5,103	5,416
Prepayments, deposits and other receivables	2,408	6,333	13,520	15,266	14,953
Cash and cash equivalents	<u>4,668</u>	<u>13,435</u>	<u>39,818</u>	<u>53,261</u>	<u>46,278</u>
Total current assets	<u>45,529</u>	<u>54,328</u>	<u>90,755</u>	<u>119,857</u>	<u>110,403</u>
CURRENT LIABILITIES					
Trade and bills payables	8,715	3,570	5,246	9,177	1,238
Other payables and accruals	24,808	25,738	25,636	51,334	41,832
Interest-bearing bank borrowings	–	–	–	12,526	10,390
Provisions	50	4,110	2,445	345	770
Tax payable	<u>1,970</u>	<u>360</u>	<u>1,622</u>	<u>2,008</u>	<u>3,830</u>
Total current liabilities	<u>35,543</u>	<u>33,778</u>	<u>34,949</u>	<u>75,390</u>	<u>58,060</u>
Net current assets	<u><u>9,986</u></u>	<u><u>20,550</u></u>	<u><u>55,806</u></u>	<u><u>44,467</u></u>	<u><u>52,343</u></u>

We had net current assets of approximately HK\$10.0 million, HK\$20.6 million, HK\$55.8 million, HK\$44.5 million and HK\$52.3 million as at 31 March 2015, 31 March 2016, 31 March 2017, 31 August 2017 and 30 November 2017, respectively.

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Our net current assets slightly increased from approximately HK\$44.5 million as at 31 August 2017 to approximately HK\$52.3 million as at 30 November 2017 mainly due to (i) decrease in trade and bills payables from approximately HK\$9.2 million as at 31 August 2017 to approximately HK\$1.2 million as at 30 November 2017 due to the decrease in purchase of inventories and settlement of trade and bills payables before due dates; and (ii) the decrease in other payables and accruals from approximately HK\$51.3 million as at 31 August 2017 to approximately HK\$41.8 million as at 30 November 2017 due to the decrease in customers deposit from approximately HK\$34.2 million as at 31 August 2017 to approximately HK\$25.2 million as at 30 November 2017, offset by a decrease in inventories of approximately HK\$2.5 million, cash and cash equivalents of approximately HK\$7.0 million for repayment of trade and bills payables and interest-bearing bank borrowings, and prepayment, deposits and other receivables of approximately HK\$0.3 million. The explanations of fluctuation of the major items of current assets and current liabilities for the Track Record Period are set out in the paragraph headed “Discussion on major items of the consolidated statements of financial position” in this section.

MAJOR FINANCIAL RATIOS

The following table set forth certain key financial ratios of our Group during the Track Record Period:–

	2015	As at 31 March 2016	2017	As at 31 August 2017
Current ratio ⁽¹⁾	1.3 times	1.6 times	2.6 times	1.6 times
Quick ratio ⁽²⁾	0.3 time	0.7 time	1.7 times	1.0 times
Return on equity ⁽³⁾	72.5%	62.1%	50.4%	N/A
Return on total assets ⁽⁴⁾	32.8%	29.6%	31.1%	N/A

- (1) Current ratio is calculated by dividing the current assets by the current liabilities as at the end of each of the financial years/respective period.
- (2) Quick ratio is calculated by dividing the current assets (net of inventories) by the current liabilities as at the end of each of the financial years/respective period.
- (3) Return on equity is calculated by dividing the net profit of each of the financial years/period by the average total equity as at the beginning and the end of each of the financial years/period.
- (4) Return on total assets is calculated by dividing the net profit of each of the financial years/period by the average total assets as at the beginning and the end of each of the financial years/period.

Current ratio

The current ratio of our Group increased from approximately 1.3 times as at 31 March 2015 to approximately 1.6 times as at 31 March 2016 and further increased to approximately 2.6 times as at 31 March 2017. The increase in the current ratio during the Track Record Period was due to the increase in cash and cash equivalents under current assets from approximately HK\$4.7 million as at 31 March 2015 to approximately HK\$13.4 million as at 31 March 2016.

The current ratio of our Group further increased from approximately 1.6 times as at 31 March 2016 to approximately 2.6 times as at 31 March 2017 primarily due to the substantial increase in cash and cash equivalents under current assets from approximately HK\$13.4 million as at 31 March 2016 to approximately HK\$39.8 million as at 31 March 2017.

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The current ratio of our Group decreased from approximately 2.6 times as at 31 March 2017 to approximately 1.6 times as at 31 August 2017 primarily due to the substantial increase in other payables and accruals under current liabilities from approximately HK\$25.6 million as at 31 March 2017 to approximately HK\$51.3 million as at 31 August 2017.

Quick ratio

The quick ratio of our Group increased from approximately 0.3 time as at 31 March 2015 to approximately 0.7 time as at 31 March 2016 and further increased to approximately 1.7 times as at 31 March 2017. The improvement of quick ratio during the Track Record Period was primarily due to the increase in the cash and cash equivalents from approximately HK\$4.7 million as at 31 March 2015 to approximately HK\$13.4 million as at 31 March 2016 and further increased to approximately HK\$39.8 million as at 31 March 2017. It dropped from approximately 1.7 times as at 31 March 2017 to approximately 1.0 times as at 31 August 2017 due to the substantial increase in other payables and accruals under current liabilities as at 31 August 2017.

Return on equity

The decrease in the return on equity of our Group from approximately 72.5% for the year ended 31 March 2015 to approximately 62.1% for the year ended 31 March 2016 was principally due to (i) the decrease in net profit; and (ii) the increase in retained profits.

The decline of return on equity of our Group from approximately 62.1% for the year ended 31 March 2016 to approximately 50.4% for the year ended 31 March 2017 was mainly due to the increase in our equity during the year ended 31 March 2017 from approximately HK\$44.8 million as at 31 March 2016 to approximately HK\$74.9 million as at 31 March 2017 as a result of the increase in retained profits as no dividend was paid for the year ended 31 March 2017.

Return on total assets

The return on total assets of our Group declined from approximately 32.8% for the year ended 31 March 2015 to approximately 29.6% for the year ended 31 March 2016 which was primarily due to decrease in net profit from approximately HK\$23.3 million for the year ended 31 March 2015 to approximately HK\$22.4 million for the year ended 31 March 2016.

The improvement of the return on total assets of our Group from approximately 29.6% for the year ended 31 March 2016 to approximately 31.1% for the year ended 31 March 2017 was mainly due to the increase in net profit from approximately HK\$22.4 million for the year ended 31 March 2016 to approximately HK\$30.1 million for the year ended 31 March 2017.

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INDEBTEDNESS

Borrowings

The table below sets forth, as of the dates indicated, our bank borrowings:

	As at 31 March			As at 31 August 2017	As at 30 November 2017
	2015	2016	2017		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
Bank borrowings					
– Unsecured	–	–	–	12,526	10,390
	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,526</u>	<u>10,390</u>

The Group's bank borrowings are denominated in the following currencies:

	As at 31 March			As at 31 August 2017	As at 30 November 2017
	2015	2016	2017		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)
United States dollar	–	–	–	692	744
Euro	–	–	–	11,834	9,646
	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,526</u>	<u>10,390</u>

As at 31 August 2017 and 30 November 2017, the bank borrowings of the Group bore interest at United States dollar/Euro prime lending rates as quoted by the relevant banks or the higher of the following:

- United States dollar/Euro prime lending rates as quoted by the relevant banks; or
- London Interbank Offered Rate plus 1.95% – 2.5%

As at 31 August 2017 and 30 November 2017, the bank borrowings of the Group represented trust receipt loans and were repayable within one year subject to a repayable on demand clause in the facility letters.

As at 30 November 2017, being the latest practicable date for the purpose of the indebtedness statement, our Group had aggregate unsecured banking facilities of approximately HK\$67.0 million, of which approximately HK\$39.3 million were unutilised.

Our Group's banking facilities are secured by personal guarantees given by a deemed Controlling Shareholder. The guarantees will be replaced by guarantees from our Company upon Listing.

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Our Directors confirm that there had been no material delay or default in repayment of bank borrowings or material non-compliance with the terms and provisions contained in our Group's banking facilities throughout the Track Record Period.

At the close of business on 30 November 2017, our Group had unsecured bank borrowings of approximately HK\$10.4 million and other utilised bank facilities, including trade finance facilities and bank guarantee for rental deposit, in the aggregate of approximately HK\$17.7 million.

As at 30 November 2017, our Group had contingent liability in connection with a bank guarantee given to a landlord in lieu of rental deposit required under certain tenancy agreement of approximately HK\$2.5 million.

Save as aforesaid or as otherwise disclosed herein (and apart from intra-group liabilities and normal trade and bill payables), our Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities as at 30 November 2017.

DIVIDENDS

The dividends declared by our Company to its shareholder during the Track Record Period were as follow:

	Year ended 31 March			Five months ended 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interim dividends	<u>33,000</u>	<u>4,852</u>	<u>–</u>	<u>–</u>

Interim dividends of HK\$12.0 million and HK\$21.0 million were declared by our Company to its immediate holding company, on 31 December 2014 and 27 February 2015 respectively and settled on 31 December 2014 and 28 February 2015 respectively. On 30 June 2015, an interim dividend of approximately HK\$4.9 million was declared by our Company to its immediate holding company, which was settled on 30 June 2015.

DISTRIBUTABLE RESERVES

Our Company was incorporated in Hong Kong on 27 June 2012. As at 31 August 2017, our Group had retained profits of approximately HK\$63.0 million as reserves available for distribution to Shareholders.

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CAPITAL COMMITMENTS, OPERATING LEASE COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Our Group did not have any material capital commitment as at 31 March 2015, 2016 and 2017 and 31 August 2017 and as at the Latest Practicable Date.

Operating lease commitments

Our Group leases its office premises, retail stores and specialty stores, warehouse and certain office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years, and those for office equipment are for terms of five years. Certain of the leases contain renewal options.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 31
	2015	2016	2017	August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	27,904	23,831	38,017	38,496
In the second to fifth years, inclusive	<u>33,679</u>	<u>19,693</u>	<u>20,720</u>	<u>31,356</u>
	<u><u>61,583</u></u>	<u><u>43,524</u></u>	<u><u>58,737</u></u>	<u><u>69,852</u></u>

The operating leases of certain retail stores may also incur additional rentals based on percentage of turnover of the relevant stores. As the future turnover of these stores could not be reliably determined as at the end of the respective reporting periods, the relevant contingent rental has not been included in the table above.

Contingent liabilities

As at the Latest Practicable Date, except for contingent liability in connection with a bank guarantee given to a landlord in lieu of rental deposit required under certain tenancy agreement of approximately HK\$2.5 million, our Directors confirm that our Group had no material contingent liabilities and was not involved in any material legal proceedings, and our Directors are not aware of any pending or potential material legal proceedings involving our Group.

OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirmed that our Group did not have any material off-balance sheet transactions as at 31 March 2015, 2016, 2017 and 31 August 2017.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Liquidity risk

Our Group recorded net cash inflows from its operating activities during the Track Record Period which is mainly because our Group was able to maintain a positive profit before tax level. Our Directors closely monitor current and expected liquidity requirements to enable our Group with sufficient cash resources to meet its short and long term requirements associated with its financial liabilities.

Credit risk

The credit risk of our Group's financial assets, which comprises trade receivables, financial assets included in prepayments, deposits and other receivables, and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Foreign Currency risk

Our Group has transactional currency exposures. Such exposures primarily arise from costs incurred by us for purchase of products from overseas. Most of our purchases are denominated and settled in foreign currencies mainly Euro, RMB and US\$. Both Euro and RMB has been volatile during Track Record Period but our sales are in Hong Kong dollars. Our Group does not expect any significant movements in the US\$/HK\$ exchange rate as the Hong Kong dollar is pegged to the US\$ within a narrow band.

For illustrative purpose, the following sensitivity analysis demonstrates the impact on our Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) resulted from the change in the EUR/HK\$ exchange rate, with all other variables held constant. Fluctuations in the EUR are assumed to be 11%, 25% and 15% and for the relevant period which represented the range of fluctuation of the EUR/HK\$ exchange rate year by year during the Track Record Period.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit/ (loss) before tax HK\$'000
31 March 2015		
If HK\$ weakens against EUR	25	(1,220)
If HK\$ strengthens against EUR	(25)	1,220
31 March 2016		
If HK\$ weakens against EUR	11	(315)
If HK\$ strengthens against EUR	(11)	315
31 March 2017		
If HK\$ weakens against EUR	11	(489)
If HK\$ strengthens against EUR	(11)	489

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	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit/ (loss) before tax HK\$'000
31 August 2017		
If HK\$ weakens against EUR	15	(1,087)
If HK\$ strengthens against EUR	(15)	1,087

In our management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure of the Group during the respective year/period.

Fluctuation in revenue and rent, rates and building management fee expenses

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our revenue (together with cost of sales) and rent, rates and building management fee expenses (being the major components of our financial statements) on our profit before tax during the Track Record Period. The hypothetical fluctuation rates for revenue are set at 10% and 15% during the Track Record Period, which correspond to the range of historical year-on-year fluctuation of our revenue in the same period. The hypothetical fluctuation rates for rent, rates and building management fee expenses are set at 15% and 35% during the Track Record Period, which are determined by reference to the historical changes during the same period.

The following illustrates the sensitivity of our profit/(loss) before tax for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 in relation to fluctuation in our revenue (together with cost of sales) of the respective periods:

	For the year ended 31 March			For the five months ended 31 August				
	2015	2016		2017	2017			
	Profit before tax HK\$'000	Change in profit before tax %	Profit before tax HK\$'000	Change in profit before tax %	Change in profit before tax HK\$'000	Profit/ (loss) before tax HK\$'000	Change in profit/ (loss) before tax %	
Changes in revenue (together with cost of sales)								
Increase/ (Decrease)								
15%	44,638	58.6	47,341	75.3	57,368	61.3	3,703	171.3
10%	39,141	39.1	40,562	50.2	50,102	40.8	737	114.2
0%	28,148	0.0	27,004	0.0	35,572	0.0	(5,195)	0.0
(10%)	17,155	(39.1)	13,446	(50.2)	21,042	(40.8)	(11,127)	(114.2)
(15%)	11,658	(58.6)	6,667	(75.3)	13,776	(61.3)	(14,093)	(171.3)

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The following illustrates the sensitivity of our profit/(loss) before tax for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 in relation to fluctuation in our rent, rates and building management fee expenses of the respective periods:

Changes in rent, rates and building management fee expenses	For the year ended 31 March				For the five months ended 31 August			
	2015		2016		2017		2017	
	Profit before tax <i>HK\$'000</i>	Change in profit before tax <i>%</i>	Profit before tax <i>HK\$'000</i>	Change in profit before tax <i>%</i>	Profit before tax <i>HK\$'000</i>	Change in profit before tax <i>%</i>	Profit/ (loss) before tax <i>HK\$'000</i>	Change in profit/ (loss) before tax <i>%</i>
Increase/ (Decrease)								
35%	17,368	(38.3)	12,231	(54.7)	18,721	(47.4)	(13,819)	(166.0)
15%	23,528	(16.4)	20,673	(23.4)	28,350	(20.3)	(8,891)	(71.1)
0%	28,148	0.0	27,004	0.0	35,572	0.0	(5,195)	0.0
(15%)	32,768	16.4	33,336	23.4	42,794	20.3	(1,499)	71.1
(35%)	38,928	38.3	41,778	54.7	52,423	47.4	3,429	166.0

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for expenses in connection with the Listing, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there is no circumstance that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 August 2017 as if the Share Offer had taken place on 31 August 2017.

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This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 31 August 2017 or any future dates:

	Consolidated net tangible assets of our Group attributable to owners of the Company as at 31 August 2017	Estimated net proceeds of the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Notes 3 and 5)</i>	<i>(Notes 4 and 5)</i>
Based on the Offer Price of HK\$0.62 per Share	69,058	113,570	182,628	0.23
Based on the Offer Price of HK\$0.38 per Share	69,058	67,010	136,068	0.17

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2017 (“**31 August 2017 NTA**”) represents the audited consolidated net assets of the Group as at 31 August 2017 as extracted from “Appendix I – Accountants’ Report” to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on Offer Price of HK\$0.62 per Share and HK\$0.38 per Share, after deduction of the underwriting fees and other listing related expenses, but excluding listing related expenses of approximately HK\$9,025,000 charged to profit or loss during the five months ended 31 August 2017 and already reflected in the 31 August 2017 NTA.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustment referred to in Note 2 above and on the basis that 800,000,000 Shares are in issue, assuming the Share Offer has been completed on 31 August 2017 without taking into account of any Shares which may be allotted and issued upon the exercise of any share option that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account a dividend of HK\$72.0 million paid by the Company before the Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately HK\$110,628,000 and HK\$0.14, respectively (assuming an Offer Price of HK\$0.62 per Share) and approximately HK\$64,068,000 and HK\$0.08, respectively (assuming an Offer Price of HK\$0.38 per Share).

FINANCIAL INFORMATION

LISTING EXPENSES

Listing expenses mainly comprise of legal and other professional fees in connection with the Listing. Listing expenses are estimated to be approximately HK\$18.7 million (assuming an Offer Price of HK\$0.50 per Share, being the mid-point of our indicative Offer Price range of HK\$0.38 to HK\$0.62), among which approximately HK\$6.9 million relating to the Share Offer is expected to be recognised as a deduction from equity upon the issuance of the Offer Shares, approximately HK\$9.0 million was charged to profit or loss of the Group for the five months ended 31 August 2017, and approximately HK\$2.8 million has been or is expected to be reflected in our profit or loss subsequent to the Track Record Period. Our Group's financial performance and results of operations for the five months ended 31 August 2017 have been, and that for the year ending 31 March 2018 will be, significantly and adversely affected by the Listing expenses.

Our Directors would like to emphasise that the aforesaid Listing expenses are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the changes in variables and assumptions.

LATEST DEVELOPMENT SUBSEQUENT TO TRACK RECORD PERIOD

In early July 2017, we closed the Hunghom "Ulferts" store which has been in operation for over 40 years. On the other hand, our "Ulferts" flagship store in Kowloon Bay has commenced business on 7 July 2017 and our Whampoa "Ulferts" store expanded by approximately 50% in floor area with effect from the end of October 2017. For the five months ended 30 November 2017, Kowloon Bay "Ulferts" store and Whampoa "Ulferts" store in aggregate received sales orders of approximately HK\$28.5 million, representing an increase of approximately 11.3% from approximately HK\$25.6 million sales orders received in the Hunghom "Ulferts" store and Whampoa "Ulferts" store for the five months ended 30 November 2016. Except for (a) the summer sales which were launched during June to August and annual sales which were launched in the second half of October of each year of the Track Record Period; (b) a premium gift offered to customers of Kowloon Bay "Ulferts" store who purchased over specific amount; and (c) joint promotion with Asia Miles during late August/early September to mid-October of both 2016 and 2017, there were no other special promotions launched by the Group during the five months ended 30 November 2017. The Directors believe that the new Kowloon Bay "Ulferts" store and the Whampoa "Ulferts" store had picked up the business of the Hunghom "Ulferts" store after its closure.

Save as disclosed above, our Directors confirm that there has been no other material change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

Save for the Listing expenses as mentioned above, the Directors do not expect the Group's financial performance and results of operation for the year ending 31 March 2018 will be significantly and adversely affected by other factors.

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 business strategies and future plans.

REASONS FOR THE LISTING

Our Directors believe that the Listing will provide our Group with financial resources for the execution of our business strategies and future plans as stated in the section headed “Business – Our Business Strategies” and strengthen our competitiveness in the market.

As at 30 November 2017, the unutilised banking facilities of our Group of approximately HK\$39.3 million comprise (i) trade line of approximately HK\$2.3 million; (ii) revolving loan of approximately HK\$35.0 million; and (iii) foreign exchange facility of HK\$2 million. The trade finance mainly provides cash flow to our Group for payment of account payables to our suppliers. During the Track Record Period, our Group’s cost of sales primarily representing costs of inventories were approximately HK\$71.4 million, HK\$74.5 million, HK\$79.0 million and HK\$33.5 million respectively, which were in line with the increasing scale of our Group’s retail business. Due to such increasing trend of the cost of sales, our Group considered that the trade finance is indispensable to our Group’s daily operation and in maintaining the short term liquidity of our Group. Our Group would not use the trade finance for our long term development.

Our Group has on 8 January 2018 utilised the entire revolving loan together with our cash balance to settle the dividends declared to Ulferts Holdings on 4 January 2018 of HK\$72.0 million. Following the payment of the dividends of HK\$72.0 million, our Group does not have sufficient internal resources to implement our business strategies as set out in this prospectus after the settlement of dividends.

Except for opening new retail stores for the existing brands of “Ulfenbo/Domire” which accounted for approximately 11.0% of the net proceeds, and the opening of one more “Ulferts” retail store or merger and acquisition opportunities, which accounted for 9.8% of the net proceeds of the Listing, our Group intends to utilise the rest on different areas including opening new retail stores under “@Home” or a new brand, introducing new models and brands, upgrade of information system and enhancement of working capital. Therefore, after considering the insufficient financial resources after settlement of the dividends as mentioned above, it is necessary for our Group to obtain net proceeds from the Listing for the above planned expenditure.

As set out in the section headed “Financial Information-Revenue” of this prospectus, our revenue derived from our retail sales of “Ulfenbo” products in the “Dormire” stores has experienced an upward trend. Although our “Ulferts” brand already has a long history of more than 40 years in Hong Kong, we plan to undertake brand building campaigns such as engaging consultant for brand building, advertisement on television channels, magazines, newspapers, websites and social media as well as sponsorship events for our “Ulfenbo” products and “Dormire” stores with a comparatively shorter history than our “Ulferts” brand. The Directors consider that the above brand building campaigns can enhance the brand awareness of our “Ulfenbo” brand, which in turn support business expansion of our Group.

FUTURE PLANS AND USE OF PROCEEDS

Moreover, our Group operates mainly by internal funding generated from our profits, and by external debt financings. The Directors consider that as a group of private companies, it would be difficult for the Company, without a listing status, to obtain bank borrowings without guarantees or other forms of security or support provided by the Controlling Shareholders. The Listing would provide a fund-raising platform for the Company, enabling our Group to raise the capital required to finance our future growth and expansion without reliance on the Controlling Shareholders to do so. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansions, which could be instrumental to our Group's expansion and improving our operating and financial performance for maximum shareholder return.

Having taken into account that (i) there is no sufficient internal resources for our Group to implement our business strategies as set out in this prospectus after the settlement of dividends declared as above mentioned; (ii) our Group needs to maintain sufficient liquidity cushion to meet our liquidity needs of daily operation; (iii) the use of the proceeds from the Listing can expand our Group's retail business and enhance the brand awareness of our "Ulfenbo" brand; and (iv) the Listing would provide a fund-raising platform for the Company, enabling our Group to raise the capital required to finance our future growth and expansion without reliance on the Controlling Shareholders to do so, the Directors consider that the Listing is beneficial to our Group and there is an immediate funding need for our Group to achieve our business strategies.

USE OF PROCEEDS

The net proceeds from the Share Offer (after deducting underwriting fees and other estimated related costs payable by us for the purposes of the Share Offer and assuming an Offer Price of HK\$0.5 per Share, being mid-point of the indicative Offer Price range) are estimated to be approximately HK\$81.3 million. Our Group currently intends to apply the net proceeds as follows:–

- approximately HK\$30.0 million or approximately 36.9% of the net proceeds will be used for paying the capital expenditure, rental deposits and overhead expenses for opening at least three new retail stores in Hong Kong for mid-range customer segment under "@Home" brand or a new brand. These stores are expected to be opened in May 2018, October 2018 and September 2019 respectively;
- approximately HK\$21.3 million or approximately 26.2% of the net proceeds will be applied to strengthen the product portfolio and brand mix by introducing new models and new brands, among which HK\$3.0 million, HK\$12.0 million and HK\$6.3 million will be used for the three financial years ending 31 March 2020 respectively. Out of the said HK\$21.3 million, (i) approximately HK\$9.0 million is intended to be used for procurement of products for the "@Home" or new brand stores with approximately HK\$3.0 million allocated for each new store and expected to be incurred two to three months before the opening of the store; (ii) approximately HK\$8.3 million is intended to be used for procurement of products for "Ulferts", among which HK\$2.0 million, HK\$4.0 million and HK\$2.3 million is intended to be used for the three financial years ending 31 March 2020

FUTURE PLANS AND USE OF PROCEEDS

respectively; and (iii) approximately HK\$4.0 million is intended to be used for procurement of products for “Ulfenbo”, among which HK\$1.0 million, HK\$2.0 million and HK\$1.0 million is intended to be used for the three financial years ending 31 March 2020 respectively. For “Ulferts”, our Group intends to introduce new types of furniture such as home office furniture, designer couch and armchair, functional wall bed and storage bed and has already identified eight brands of which four are from Italy, two are from Germany, one is from France and one is from Sweden. For “Ulfenbo”, we plan to develop two to three new models of mattresses and pillows and enhance one to two existing models of our mattresses. For the products and brands of “@Home” or new brand stores, please refer to the section headed “Business – Expand mid-range customer segment by launching of the new concept under “@Home” brand or new brand retail stores”. Our Group might identify further new brands and new products during our usual procurement process;

- approximately HK\$9.0 million or approximately 11.1% of the net proceeds to enhance our Ulfenbo sales channels and brand awareness, which include the opening of three to five specialty stores or department store counters and brand building campaigns such as engage consultant for brand building, advertisement on television channels, magazines, newspapers, websites and social media as well as sponsorship events within the next two financial years;
- HK\$8.0 million or approximately 9.8% of the net proceeds will be used for paying the capital expenditure and rental deposits for opening one more “Ulferts” retail store or any merger and acquisition opportunities to be identified.
- approximately HK\$5.0 million or approximately 6.2% of the net proceeds to upgrade our information technology system before the financial years ending 31 March 2020, including our ERP and CRM systems, and to enhance the accounting system to interface with our ERP system;
- the remaining balance of HK\$8.0 million of the net proceeds will be used as the general working capital of our Group.

In the event that the Offer Price is determined at a price other than HK\$0.5, the Directors will apply the net proceeds in the proportion as shown above. To the extent that the net proceeds are not immediately required for the above purposes, the Company may hold such funds in deposits with banks and/or financial institutions for so long as it is in the best interest of our Group.

The Company will issue an announcement in case there is any material change in the use of proceeds described above.

UNDERWRITING

UNDERWRITERS

Placing Underwriters

Emperor Securities Limited
The Bank of East Asia, Limited
Taiping Securities (HK) Co Limited

Public Offer Underwriters

Emperor Securities Limited
The Bank of East Asia, Limited
Taiping Securities (HK) Co Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

1. Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Public Offer Shares for subscription on and subject to the terms and conditions of this prospectus and the Application Forms relating thereto. Our Company is also offering the Placing Shares for subscription by professional, institutional and other investors on and subject to the terms and conditions of the Placing, in each case at the Offer Price.

Subject to, among other things, the approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein (and such listing and permission not subsequently being revoked prior to the date on which dealings in the Shares first commence on the Stock Exchange) being granted by the Listing Committee on or before 29 January 2018 or such later date as our Company and Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) may agree in writing, (a) the Public Offer Underwriters have agreed to subscribe or procure subscribers, on the terms and conditions of this prospectus and the Application Forms relating hereto, for the Public Offer Shares now being offered for subscription but not taken up under the Public Offer, and (b) the Placing Underwriters have severally agreed to subscribe or procure subscribers, on and subject to the terms and conditions of the Placing, for the Placing Shares.

Grounds for termination

Emperor Securities (acting for itself and on behalf of the Joint Sponsors and the Underwriters) is entitled to terminate the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if, certain events, including without limitation the following, shall occur at any time before the Termination Time:

- (a) there has come to the notice of any of the Joint Sponsors, the Lead Manager and/or the Underwriters that:
 - (i) any statement contained in this prospectus or the Application Forms relating thereto or the documents for the Share Offer was when such document was issued, or has become, untrue, incorrect or misleading in

UNDERWRITING

any material respect in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) is material in the context of the Share Offer; or

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus or the issue of the documents for the Share Offer, constitute a material omission therefrom in the sole and absolute opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters); or
 - (iii) any of the representations, warranties and undertakings contained in the Underwriting Agreement is untrue or inaccurate in any material respect which Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) in its sole opinion considers to be material in the context of the Share Offer; or
 - (iv) any event, act or omission which gives or is reasonably likely to give rise to a liability of a material nature of any of our Company, our executive Directors and the Covenantors pursuant to the indemnities given under the Underwriting Agreement; or
 - (v) any of the obligations or undertakings expressed to be assumed by or imposed on any of our Company, our executive Directors and the Covenantors under the Underwriting Agreement has not been complied with or observed by any of them in any respect considered by Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) in its reasonable opinion to be material; or
 - (vi) any information, matter or event which in the reasonable opinion of Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) may lead to a material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group as a whole, or
- (b) there shall develop, occur, exist or come into effect:
- (i) any new law or regulation or any change in existing laws or regulations of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority of Hong Kong, Macau, the BVI or any other jurisdiction relevant to any member of our Group (each a “**Relevant Jurisdiction**”); or
 - (ii) any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs) in local, national, or international financial, political, military, industrial, fiscal or economic conditions or prospects in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iii) any change in the conditions of the local, national or international securities markets (or in conditions affecting a sector only of such market) in or affecting any Relevant Jurisdiction including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (v) a change or development involving a prospective change in taxation or exchange control (or the implementation of exchange control) in or affecting any Relevant Jurisdiction; or
- (vi) any event, or series of events, including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, interruption or delay in transportation, economic sanctions, public disorder, riot and epidemic in or affecting any Relevant Jurisdiction; or
- (vii) any litigation or claim brought by any third party against any member of our Group which will result in our Group incurring liability that is material to our Group as a whole; or
- (viii) the imposition of economic sanctions relating to the business of our Group, in whatever form, directly or indirectly, by Hong Kong or any other Relevant Jurisdiction; or
- (ix) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters in a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group,

which in the sole and absolute opinion of Emperor Securities:

- (1) is or will or could be reasonably expected to have a material adverse effect on the business, financial or other condition or prospects of our Group taken as a whole; or
- (2) has or will have or could be reasonably expected to have a material adverse effect on the success of the Share Offer or the level of interest under the Share Offer; or
- (3) makes it inadvisable or inexpedient for the Share Offer to proceed.

UNDERWRITING

Undertakings pursuant to the Underwriting Agreement

Undertakings given by the Covenantors

Under the Underwriting Agreement, each of the Covenantors jointly and severally undertakes to our Company, the Joint Sponsors, the Lead Manager and the Underwriters that, unless with the prior written consent of the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters) (which consent shall not be unreasonably withheld or delayed) and save for Shares issued pursuant to the Share Offer or the exercise of any options which may be granted under the Share Option Scheme:

- (a) he/it shall not, and shall procure that his/its close associates or companies controlled by him/it or nominees or trustees holding in trust for him/it shall not, unless in compliance with the requirements of the Listing Rules and the applicable laws, sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of) any of the Shares or securities of our Company owned by him/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/it which is directly or indirectly the beneficial owner of any of the Shares or securities of our Company) immediately following the completion of the Share Offer (the “**Relevant Securities**”) within the First Six-Month Period; and
- (b) he/it shall not, and shall procure that none of his/its close associates or companies controlled by him/it or nominees or trustees holding in trust for him/it shall, unless in compliance with the requirements of the Listing Rules, within the Second Six-Month Period sell, transfer or otherwise, dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of) any of the Relevant Securities, if immediately following such sale, transfer or disposal, any Covenantors, either individually or taken together with other Covenantors, cease to be a Controlling Shareholder of our Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

Under the Underwriting Agreement, each of the Covenantors has further jointly and severally undertaken to our Company, the Joint Sponsors, the Lead Manager and the Underwriters that, during the First Six-Month Period and the Second Six-Month Period, he/it will:

- (a) when he/it pledges or charges any securities or interests in the Relevant Securities in favour of the authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledges or charges together with the number of Shares and nature of interest so pledged or charged; and

UNDERWRITING

- (b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company in writing of such indications.

Undertakings given by our Company

Under the Underwriting Agreement, we have undertaken to Emperor Securities (for itself and on behalf of the Joint Sponsors and the Underwriters) to inform it as soon as we have received information in writing relating to the pledge or charge referred to above from the Covenantors or any of them and will disclose such matters by way of public announcements in accordance with the Listing Rules as soon as possible.

Under the Underwriting Agreement, we have undertaken to and covenanted with the Joint Sponsors, the Lead Manager and the Underwriters that we will, and each of the Covenantors and our executive Directors has jointly and severally undertaken and covenanted with the Joint Sponsors, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Joint Sponsors and Emperor Securities (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the grant of options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to any option which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Articles, neither we nor any of our subsidiaries shall:

- (a) allot and issue or agree to allot and issue any shares in our Company or any subsidiary of our Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of our Company or any subsidiary of our Company during the First Six-Month Period; or
- (b) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a) above during the Second Six-Month Period if, immediately following such allotment and issue, any Covenantors, either individually or taken together with the other Covenantors, would cease to be a Controlling Shareholder; or
- (c) during the First Six-Month Period purchase any Shares or securities of our Company.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders have jointly and severally undertaken to and covenanted with the Stock Exchange, the Company, the Lead Manager and the Underwriters that save as provided in the notes to Rule 10.07 of the Listing Rules, he/she/it shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

- (a) in the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities; and
- (b) in the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to our Company and the Stock Exchange that during the First Six-Month Period and the Second Six-Month Period:

- (a) if he/she/it pledges or charges any securities of our Company beneficially owned by him/it in favour of an authorised institution, he/she/it shall immediately give written notice to our Company of such pledge or charge together with the number and class of securities so pledged or charged and the purpose for which the pledge or charge is made; and
- (b) when he/she/it is aware of or receives indications, either verbal or written, from the pledgee or chargee that any of such pledged or charged securities or interests in the securities of our Company will be disposed of, he/she/it shall immediately thereafter give written notice to our Company of such indications.

Our Company will inform the Stock Exchange immediately of the aforesaid pledges, charges or the said indications and publish an announcement thereof in accordance with the Listing Rules as soon as possible upon receipt of the notification from any of our Controlling Shareholders.

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within the First Six-Month Period (whether or not such issue of Shares or securities will be completed within the First Six-Month Period), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

UNDERWRITING

Indemnities

Our Company, the Covenantors and our executive Directors have under the Underwriting Agreement, jointly and severally agreed and undertaken to indemnify and hold harmless the Joint Sponsors, the Lead Manager and the Underwriters and each of them, for themselves and as trustees for their respective directors, officers, employees, agents and assignees (collectively the “**indemnified parties**” and individually, an “**indemnified party**”) against any and all claims, actions, liabilities, proceedings or damages which may be made or established against the indemnified parties or any of them by any party including any applicant or placee of the Offer Shares or any subsequent purchaser or transferee of any Offer Shares or any other person, governmental agency or regulatory body whatsoever, and against all costs, charges, losses or expenses which the indemnified parties or any of them may suffer or properly incur in disputing any such claim or defending any such action or proceedings, on the grounds of or otherwise arising out of or in connection with:

- (a) the lawful performance by the Joint Sponsors, the Lead Manager and the Underwriters of their obligations under the Underwriting Agreement; or
- (b) the issue, circulation or distribution of the documents in connection with the Placing, the post hearing information pack of our Company posted on the Stock Exchange’s website on 11 January 2018 (“**PHIP**”), this prospectus, the Application Forms, the formal notice and/or allotment results announcement; or
- (c) the allotment and issue of the Offer Shares; or
- (d) any representation, statement of fact or opinion, estimate or forecast made by or on behalf of our Company or our Directors and contained in this prospectus or the PHIP being, or being alleged to be, untrue, incomplete, inaccurate or misleading or not honestly or reasonably held in any respect of the fact or any allegation that this prospectus or the PHIP does not contain all information material in the context of the Share Offer or otherwise required to be stated in this prospectus or necessary to enable an informed assessment to be made of the assets, liabilities, earnings, financial or trading position or prospects of our Group; or
- (e) any breach or alleged breach of any of the representation, warranties and undertakings contained in the Underwriting Agreement,

provided that the above indemnity contained in the Underwriting Agreement shall not apply in respect of an indemnified party to the extent but only to the extent that any such claim, action, liabilities, proceedings or damages made against, suffered or incurred by such indemnified party arises out of the fraud, negligence, breach or default of such indemnified party. The non-application of the above indemnity contained in the Underwriting Agreement in respect of any one indemnified party shall not affect the application of such indemnity in respect of any other indemnified parties.

UNDERWRITING

2. Commission and expenses

The Underwriters will receive an underwriting commission of an amount equal to 3% of the aggregate Offer Price payable for the Offer Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concession.

Based on the Offer Price of HK\$0.5 per Share, being the midpoint of the stated range of the Offer Price between HK\$0.38 to HK\$0.62 per Share, the fees and commissions in connection with the Public Offer and the Placing, together with the Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005%, legal and other professional fees, printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$18.7 million in aggregate (assuming an Offer Price of HK\$0.50 per Share, being the mid-point of our indicative Offer Price range of HK\$0.38 to HK\$0.62) and will be payable by our Company.

3. Underwriters' interest in our Company

Emperor Securities, being an Underwriter, is an indirect wholly-owned subsidiary of Emperor Capital Group, which is in turn indirectly owned as to 41.31% by the AY Discretionary Trust. As such, Emperor Securities is a company deemed to be controlled by the Controlling Shareholders.

Save for the interests of Emperor Securities and its associates in our Company set out above and save as securities trading and dealing business of the Underwriters, which may involve trading and dealing in the securities of our Company, and as contemplated pursuant to the Underwriting Agreement, Emperor Securities is not interested in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.

JOINT SPONSORS' INDEPENDENCE

Octal Capital Limited is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. Emperor Capital is an indirect wholly-owned subsidiary of Emperor Capital Group, which is indirectly owned as to approximately 41.31% by the AY Discretionary Trust. Accordingly, Emperor Capital is not independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

Save for the interests of Emperor Capital and its associates (including Emperor Securities) in our Company set out above, none of the Joint Sponsors nor its associates expect to have accrued any material benefit as a result of the successful listing of the Shares, other than the following: (i) the respective advisory and documentation fees to be paid to the Joint Sponsors; and (ii) certain associates of Emperor Capital, whose ordinary business involve the trading and dealing in securities, may be involved in the trading and dealing in the securities of our Company.

UNDERWRITING

Save for the interest of Emperor Capital and its associates in our Company set out above, the Joint Sponsors have no shareholding in any member of our Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

MINIMUM PUBLIC FLOAT

Our Company and the Directors will ensure that a minimum of 25% of the total issued Shares will be held by the public after the completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between our Company and Emperor Securities (for itself and on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.62 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, Emperor Securities (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by entering into the Price Determination Agreement by Tuesday, 23 January 2018, the Share Offer will not proceed and will lapse immediately.

Announcement of the final Offer Price, together with indication of the level of interests in the Placing and the results of application under the Public Offer and basis of allocation of the Public Offer Shares, with identification numbers of successful applicants, where appropriate, is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ulferts.com.hk on Friday, 26 January 2018.

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK\$0.62 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.62 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$6,262.48 is payable for every board lot of 10,000 Offer Shares. The Application Forms have tables showing the exact amount payable for certain multiples of the Public Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$0.62 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 money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for Public Offer Shares and Employee Reserved Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the exercise of any options that may be granted under the Share Option Scheme (and such listing and permission not being subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Price Determination

The Offer Price having been duly determined by our Company and Emperor Securities (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement on the Price Determination Date or, in any event, no later than Tuesday, 23 January 2018.

3. Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant and applicable, as a result of the waiver of any conditions given by Emperor Securities (for itself and on behalf of the Underwriters), and not being terminated in accordance with its terms, prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Details of the Underwriting Agreement, its conditions and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.ulferts.com.hk on the next day following such lapse. 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 paragraph headed “Refund of your money” under the section headed “How to Apply for Public Offer Shares and Employee Reserved Shares” in this prospectus.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 200,000,000 Offer Shares will be made available under the Share Offer, of which 180,000,000 Placing Shares, representing 90% of the Offer Shares, will conditionally be placed with selected professional, institutional and other investors under the Placing. The remaining 20,000,000 Public Offer Shares, representing 10% of the Offer Shares, will be offered to the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to re-allocation on the basis described below.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Of the 20,000,000 Shares initially being offered under the Public Offer, up to 2,000,000 Shares (representing 10% of the total number of Shares initially being offered under the Public Offer and 1% of the total number of Shares being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** application forms. Please refer to the paragraphs headed “Employee Preferential Offering” in this section below for further details.

The Placing will involve the selected marketing of the Placing Shares to professional, institutional and other 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.

The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares, and the Placing Underwriters will underwrite the Placing Shares, pursuant to the terms of the Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** application form. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Public Offer

Our Company is initially offering 20,000,000 Public Offer Shares (including 2,000,000 Employee Reserved Shares) for subscription (subject to re-allocation as mentioned in the paragraph headed “Basis of Allocation of the Offer Shares” below) by the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares being offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms of the Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$0.62 plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. Where there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 9,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million or less (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon). The Public Offer Shares available in pool B will consist of 9,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive and allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Placing

Our Company is offering initially 180,000,000 Placing Shares (subject to re-allocation as mentioned in the paragraph headed “Basis of Allocation of the Offer Shares” below) at the Offer Price under the Placing. The number of Placing Shares initially available for application under the Placing represents 90% of the total number of Offer Shares being offered under the Share Offer.

The Placing is fully underwritten by the Placing Underwriters subject to the terms of the Underwriting Agreement. Investors subscribing for the Placing Shares are required to pay the Offer Price plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional 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. Other investors, applying through the Placing Underwriters or their selling agents, who sought Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire 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 Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

The Placing is subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” above.

Employee Preferential Offering

Up to 2,000,000 Employee Reserved Shares, representing approximately 10% of the Public Offer Shares available under the Share Offer and approximately 0.25% of the enlarged issued share capital of our Company upon completion of the Share Offer, which are not subject to reallocation to the Placing as described in the paragraph headed “Basis of Allocation of the Offer Shares” in this section, are available for subscription by the Eligible Employee on a preferential basis. The 2,000,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** application form will be allocated to such applicants on a pro-rata basis in proportion (as nearly as possible without involving fraction of a board lot) to the level of valid applications received from Eligible Employees if there are insufficient Employee Reserved Shares available to **PINK** application form applicants. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on seniority or length of service of the Eligible Employee. No favour will be given to Eligible Employees who apply for a large

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

number of Employee Reserved Shares. Any application made on a **PINK** application form for more than 2,000,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** application form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service.

As at the Latest Practicable Date, there were 133 Eligible Employees.

In case not all the 2,000,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

BASIS OF ALLOCATION OF THE OFFER SHARES

In the event there remains any Employee Reserved Shares after satisfying in full all the applications from the Eligible Employees, on a fair and reasonable basis, the remaining Employee Reserved Shares will be reallocated to the Public Offer and subject to the allocation of the Offer Shares between the Placing and the Public Offer.

The allocation of the Offer Shares between the Placing and the Public Offer is subject to re-allocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, 40,000,000 Shares will be re-allocated to the Public Offer from the Placing so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the Offer Shares; or
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, 60,000,000 Shares will be re-allocated to the Public Offer from the Placing so that the total number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the Offer Shares; or
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, 80,000,000 Shares will be re-allocated to the Public Offer from the Placing so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, Emperor Securities (for itself and the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares initially available for subscription in the Public Offer to the Placing in such proportions as it deems appropriate.

If the Placing is not fully subscribed, Emperor Securities (for itself and the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Placing Shares initially available for subscription in the Placing to the Public Offer in such proportions as it deems appropriate.

SHARE WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus on the Main Board by the Stock Exchange as well as the compliance 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 Listing Date or, under contingent situation, any other date HKSCC chooses. 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 the CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 29 January 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 29 January 2018. The Shares will be traded in board lots of 10,000 Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED 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:

- using a **WHITE** or **YELLOW** application form;
- Eligible Employee may also make an application for the Employee Reserved Shares pursuant to the Employee Preferential Offering by using a **PINK** application form;
- applying online via **HK eIPO White Form** at www.hkeipo.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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** application form. However, Eligible Employees may not apply for or indicate an interest for Placing Shares under the Placing.

Our Company, the Lead Manager, the **HK eIPO White Form** 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 US Securities Act of 1933, as amended); and
- are not a legal or natural person of the PRC.

You can also or alternatively apply for Employee Reserved Shares if you satisfy the above criteria and are also an Eligible Employee.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you apply online through the **HK eIPO White Form** 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 Lead Manager may accept it at their discretion and on any conditions they 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 **HK eIPO White Form** for the 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 of its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- 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; or
- have been allocated or have applied for any Offer Shares or otherwise participate in the Placing,

except for Eligible Employees who may apply for the Employee Reserved Shares apart from application for the Public Offer Shares.

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.hkeipo.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, use a **YELLOW** application form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offering by using a **PINK** application form, you may apply on an assured basis for a number of Employee Reserved Shares for less than, equal to or more than your assured employee entitlement and up to a maximum of 2,000,000 Employee Reserved Shares. Your application must be in one of the number set out in the table in the **PINK** application form, or your application will be rejected.

The Public Offer Shares are not available to the directors or chief executives of our Company or its subsidiaries or existing beneficial owners of the Shares, or any of their respective associates.

Where to collect the Application Forms

You can collect a **WHITE** application form and a prospectus during the normal business hours from 9:00 a.m. on Tuesday, 16 January 2018 until 12:00 noon on Friday, 19 January 2018 at:

1. Any of the following offices of the Underwriters:

Emperor Securities Limited
23-24/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

Taiping Securities (HK) Co Limited
2901 China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

2. Any one of the following branches of The Bank of East Asia, Limited:

District	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	North Point Branch	326-328 King's Road, North Point
Kowloon	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong
New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can collect a **YELLOW** application form and a prospectus during the normal business hours from 9:00 a.m. on Tuesday, 16 January 2018 until 12:00 noon on Friday, 19 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** application form together with this prospectus can be collected by the Eligible Employees during the normal business hours from 9:00 a.m. on Tuesday, 16 January 2018 until 4:00 p.m. on Thursday, 18 January 2018 at the registered office of our Company at Units 1206-7, 12/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

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 "The Bank of East Asia (Nominees) Limited – Ulferts Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. – Tuesday, 16 January 2018
- 9:00 a.m. to 5:00 p.m. – Wednesday, 17 January 2018
- 9:00 a.m. to 5:00 p.m. – Thursday, 18 January 2018
- 9:00 a.m. to 12:00 noon – Friday, 19 January 2018

Your completed **PINK** application form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited – Ulferts Public Offer" for the payment must be deposited in the collection point located at the registered office of our Company at Units 1206-7, 12/F., Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 18 January 2018 being the last day for the submission of the **PINK** application forms, or such later time as described in the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 19 January 2018, the last application day or such later time as described in the sub-section headed "10. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Lead Manager (or their 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 CWUMPO, Companies 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;
- (vi) agree that none of our Company, the Joint Sponsors, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 Placing Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Share Registrar, the receiving bank, the Joint Sponsors, the Lead Manager, the Underwriters and/or their respective advisors 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 Joint Sponsors, the Lead Manager and the Underwriters nor any of their respective officers or advisors 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (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-Auto 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 have chosen to collect the 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;
- (xvii) understand that our Company and the Lead Manager 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 through the **HK eIPO White Form** 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Additional Instructions for YELLOW application form

You may refer to the **YELLOW** application form for details.

Terms, conditions and instructions for the PINK application form

You may refer to the **PINK** application form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “Who can apply”, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** 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 **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

Time for submitting applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 16 January 2018 until 11:30 a.m. on Friday, 19 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 19 January 2018 or such later time under the paragraph headed “10. Effects of bad weather on the opening of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instructions given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instructions under **HK eIPO White Form** more than once and obtaining different application 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 **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

Section 40 of CWUMPO

For the avoidance of doubt, our Company and all other parties involved in the preparation of 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 CWUMPO.

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 (852) 2979 7888 or through the CCASS Internet System (<https://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.

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 Lead Manager and the Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Lead Manager 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;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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 Joint Sponsors, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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, the Share Registrar, the receiving bank, the Joint Sponsors, the Lead Manager, the Underwriters and/or its respective advisors 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 CWUMPO 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 AND EMPLOYEE RESERVED SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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 CWUMPO, Companies 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 maximum 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 and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on 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 10,000 Public Offer Shares. Instructions for more than 10,000 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 AND EMPLOYEE RESERVED SHARES

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m. *(Note)* – Tuesday, 16 January 2018
- 8:00 a.m. to 8:30 p.m. *(Note)* – Wednesday, 17 January 2018
- 8:00 a.m. to 8:30 p.m. *(Note)* – Thursday, 18 January 2018
- 8:00 a.m. *(Note)* to 12:00 noon – Friday, 19 January 2018

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 16 January 2018 until 12:00 noon on Friday, 19 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 19 January 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.

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 CWUMPO

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 CWUMPO.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Share Registrar, the receiving bank, the Joint Sponsors, the Lead Manager, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** 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 Lead Manager, the Joint Sponsors and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** 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/CCASS 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, 19 January 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.

In addition, if you are an Eligible Employee, you may also make an additional application for the Employee Reserved Shares by using the **PINK** application form. Only one application for the Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected.

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 **HK eIPO White Form**, 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:

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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**, **YELLOW** and **PINK** application forms have tables showing the exact amount payable for Shares.

You must pay the maximum 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 **HK eIPO White Form** in respect of a minimum of 10,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application form. Each application or **electronic application instructions** in respect of more than 10,000 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.hkeipo.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 and conditions of the Share Offer” in this prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED 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, 19 January 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, 19 January 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 final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and the Employee Reserved Shares on Friday, 26 January 2018 on our Company’s website at **www.ulferts.com.hk** 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.ulferts.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than Friday, 26 January 2018;
- from the designated results of allocations website at **www.tricor.com/hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 26 January 2018 to 12:00 midnight on Thursday, 1 February 2018;
- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Friday, 26 January 2018 to Wednesday, 31 January 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 26 January 2018 to Tuesday, 30 January 2018 at all the receiving bank branches.

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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 and conditions 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 PUBLIC 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 **HK eIPO White Form**, 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 CWUMPO 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Lead Manager, the **HK eIPO White Form** 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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee 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) Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** 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 Agreement does not become unconditional or is terminated;
- our Company or the Lead Manager 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 9,000,000 Public Offer Shares.

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13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.62 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus are not fulfilled 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 Friday, 26 January 2018.

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) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

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**, **YELLOW** and/or **PINK** 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 (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (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).

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Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 26 January 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 order(s).

If you apply by **PINK** application form, your refund cheque(s) and share certificate(s) will be sent to our Company on Friday, 26 January 2018 and our Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Monday, 29 January 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 have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 26 January 2018 or such other date as notified by us on the websites of our Company at www.ulferts.com.hk and the Stock Exchange at www.hkexnews.hk.

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 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 Friday, 26 January 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 Friday, 26 January 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Friday, 26 January 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 apply as a CCASS investor participant*

Our 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" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 26 January 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.

(iii) If you apply through the HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your share certificate(s) from the Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 26 January 2018, or such other date as notified by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ulferts.com.hk as the date of despatch/collection of share certificates/e-Auto 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 through the **HK eIPO White Form** service, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 26 January 2018 by ordinary post at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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-Auto 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 Friday, 26 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our 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" above on Friday, 26 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 26 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- 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 Friday, 26 January 2018. Immediately following the credit of the Public

HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (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 Friday, 26 January 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 advisor 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, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

The Directors
Ulferts International Limited
Emperor Capital Limited
Octal Capital Limited

Dear Sirs,

We report on the historical financial information of Ulferts International Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-50, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2015, 2016 and 2017, and the five months ended 31 August 2017 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 March 2015, 2016 and 2017 and 31 August 2017 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 16 January 2018 (the “Prospectus”) in connection with the initial listing of the 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the 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 set out in note 2.1 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, 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 financial position of the Group and the Company as at 31 March 2015, 2016 and 2017 and 31 August 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 August 2016 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of 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-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

16 January 2018

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") 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**

	<i>Notes</i>	Year ended 31 March			Five months ended 31 August	
		2015	2016	2017	2016	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	5	181,347	210,070	224,331	78,974	92,850
Cost of sales		<u>(71,415)</u>	<u>(74,491)</u>	<u>(79,027)</u>	<u>(27,659)</u>	<u>(33,529)</u>
Gross profit		109,932	135,579	145,304	51,315	59,321
Other income and gains	5	829	835	4,626	725	383
Selling and distribution expenses		(64,875)	(90,164)	(95,955)	(38,718)	(47,612)
General and administrative expenses		(17,675)	(19,244)	(18,402)	(6,960)	(17,269)
Finance cost	6	<u>(63)</u>	<u>(2)</u>	<u>(1)</u>	<u>-</u>	<u>(18)</u>
PROFIT/(LOSS) BEFORE TAX	7	28,148	27,004	35,572	6,362	(5,195)
Income tax expense	10	<u>(4,860)</u>	<u>(4,651)</u>	<u>(5,427)</u>	<u>(1,088)</u>	<u>(646)</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR/ PERIOD		<u>23,288</u>	<u>22,353</u>	<u>30,145</u>	<u>5,274</u>	<u>(5,841)</u>
Attributable to:						
Owners of the parent		<u>23,288</u>	<u>22,353</u>	<u>30,145</u>	<u>5,274</u>	<u>(5,841)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12					
Basic and diluted (expressed in HK cents per share)		<u>3.88</u>	<u>3.73</u>	<u>5.02</u>	<u>0.88</u>	<u>(0.97)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at
	Notes	2015	2016	2017	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	13,748	20,131	12,647	16,112
Prepayments and deposits	17	9,019	7,666	6,762	10,185
Deferred tax assets	22	<u>10</u>	<u>513</u>	<u>1,214</u>	<u>954</u>
Total non-current assets		<u>22,777</u>	<u>28,310</u>	<u>20,623</u>	<u>27,251</u>
CURRENT ASSETS					
Inventories	15	34,648	30,995	32,944	46,227
Trade receivables	16	3,805	3,565	4,473	5,103
Prepayments, deposits and other receivables	17	2,408	6,333	13,520	15,266
Cash and cash equivalents		<u>4,668</u>	<u>13,435</u>	<u>39,818</u>	<u>53,261</u>
Total current assets		<u>45,529</u>	<u>54,328</u>	<u>90,755</u>	<u>119,857</u>
CURRENT LIABILITIES					
Trade and bills payables	18	8,715	3,570	5,246	9,177
Other payables and accruals	19	24,808	25,738	25,636	51,334
Interest-bearing bank borrowings	20	–	–	–	12,526
Provisions	21	50	4,110	2,445	345
Tax payable		<u>1,970</u>	<u>360</u>	<u>1,622</u>	<u>2,008</u>
Total current liabilities		<u>35,543</u>	<u>33,778</u>	<u>34,949</u>	<u>75,390</u>
NET CURRENT ASSETS		<u>9,986</u>	<u>20,550</u>	<u>55,806</u>	<u>44,467</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>32,763</u>	<u>48,860</u>	<u>76,429</u>	<u>71,718</u>
NON-CURRENT LIABILITIES					
Provisions	21	<u>5,510</u>	<u>4,106</u>	<u>1,530</u>	<u>2,660</u>

		As at 31 March			As at 31 August
	Notes	2015	2016	2017	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net assets		<u>27,253</u>	<u>44,754</u>	<u>74,899</u>	<u>69,058</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	23	6,065	6,065	6,065	6,065
Retained profits		<u>21,188</u>	<u>38,689</u>	<u>68,834</u>	<u>62,993</u>
Total equity		<u>27,253</u>	<u>44,754</u>	<u>74,899</u>	<u>69,058</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2014		6,065	30,900	36,965
Profit and total comprehensive income for the year		–	23,288	23,288
Interim 2015 dividends	<i>11</i>	<u>–</u>	<u>(33,000)</u>	<u>(33,000)</u>
At 31 March 2015 and 1 April 2015		6,065	21,188	27,253
Profit and total comprehensive income for the year		–	22,353	22,353
Interim 2016 dividend	<i>11</i>	<u>–</u>	<u>(4,852)</u>	<u>(4,852)</u>
At 31 March 2016 and 1 April 2016		6,065	38,689	44,754
Profit and total comprehensive income for the year		<u>–</u>	<u>30,145</u>	<u>30,145</u>
At 31 March 2017 and 1 April 2017		<u>6,065</u>	<u>68,834</u>	<u>74,899</u>
Loss and total comprehensive loss for the period		<u>–</u>	<u>(5,841)</u>	<u>(5,841)</u>
At 31 August 2017		<u><u>6,065</u></u>	<u><u>62,993</u></u>	<u><u>69,058</u></u>
At 1 April 2016		6,065	38,689	44,754
Profit and total comprehensive income for the period (Unaudited)		<u>–</u>	<u>5,274</u>	<u>5,274</u>
At 31 August 2016 (Unaudited)		<u><u>6,065</u></u>	<u><u>43,963</u></u>	<u><u>50,028</u></u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Five months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		28,148	27,004	35,572	6,362	(5,195)
Adjustments for:						
Finance cost	6	63	2	1	–	18
Depreciation	7	4,078	8,858	9,456	4,473	3,632
Loss/(gain) on disposal/ write-off of items of property, plant and equipment	7	(26)	–	(75)	–	543
Impairment of an other receivable	7	178	–	–	–	–
Reversal of write-down of inventories to net realisable value	7	(175)	(63)	(169)	–	–
Write-down of inventories to net realisable value	7	126	505	292	321	47
Provisions for reinstatement costs – reversal of unutilised provisions/ decrease in estimated provisions	5	–	–	(3,574)	(383)	–
		32,392	36,306	41,503	10,773	(955)
Decrease/(increase) in inventories		(97)	3,211	(2,072)	(6,255)	(13,330)
Decrease/(increase) in trade receivables		1,972	240	(908)	(1,706)	(630)
Decrease/(increase) in prepayments, deposits and other receivables		(89)	(2,572)	(6,283)	45	(5,169)
Increase/(decrease) in trade and bills payables		(484)	(5,145)	1,676	392	3,931
Increase/(decrease) in other payables and accruals		5,640	(3,622)	(102)	10,511	25,698
Decrease in provisions		(932)	(50)	(47)	(47)	(2,000)
Cash generated from operations		38,402	28,368	33,767	13,713	7,545
Hong Kong profits tax paid		(2,096)	(6,764)	(4,866)	–	–
Net cash flows from operating activities		36,306	21,604	28,901	13,713	7,545

	Notes	Year ended 31 March			Five months ended 31 August	
		2015	2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(5,517)	(12,535)	(2,635)	(1,492)	(6,610)
Proceeds from disposal of items of property, plant and equipment		26	–	118	–	–
Acquisition of a business	24	(2,532)	(300)	–	–	–
Net cash flows used in investing activities		(8,023)	(12,835)	(2,517)	(1,492)	(6,610)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(63)	(2)	(1)	–	(18)
Dividends paid		(33,000)	–	–	–	–
Net increase/(decrease) in trust receipt loans		(3,695)	–	–	957	12,526
Net cash flows from/(used in) financing activities		(36,758)	(2)	(1)	957	12,508
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		13,143	4,668	13,435	13,435	39,818
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>4,668</u>	<u>13,435</u>	<u>39,818</u>	<u>26,613</u>	<u>53,261</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		<u>4,668</u>	<u>13,435</u>	<u>39,818</u>	<u>26,613</u>	<u>53,261</u>

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 August
	Notes	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS					
Investments in subsidiaries	14	<u>6,065</u>	<u>6,065</u>	<u>6,065</u>	<u>6,065</u>
CURRENT ASSETS					
Prepayments	17	–	–	–	3,008
Due from a subsidiary	14	78	71	64	60
Due from the immediate holding company	27(b)	<u>–</u>	<u>–</u>	<u>1</u>	<u>3</u>
Total current assets		<u>78</u>	<u>71</u>	<u>65</u>	<u>3,071</u>
CURRENT LIABILITIES					
Other payables and accruals	19	–	–	–	3,870
Due to a subsidiary	14	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,163</u>
Total current liabilities		<u>–</u>	<u>–</u>	<u>–</u>	<u>12,033</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>78</u>	<u>71</u>	<u>65</u>	<u>(8,962)</u>
Net assets/(liabilities)		<u><u>6,143</u></u>	<u><u>6,136</u></u>	<u><u>6,130</u></u>	<u><u>(2,897)</u></u>
EQUITY					
Share capital	23	6,065	6,065	6,065	6,065
Retained profits/ (accumulated loss)		<u>78</u>	<u>71</u>	<u>65</u>	<u>(8,962)</u>
Total equity		<u><u>6,143</u></u>	<u><u>6,136</u></u>	<u><u>6,130</u></u>	<u><u>(2,897)</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Units 1206-7, 12th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

- retail of imported furniture
- wholesale of imported furniture
- project sales and consultancy services arrangements ("special projects")

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are Ulferts International Group Holdings Limited and Albert Yeung Holdings Limited ("AY Holdings"), respectively, both are incorporated in the British Virgin Islands, and AY Holdings is legally wholly-owned by STC International Limited acting as the trustee of The Albert Yeung Discretionary Trust, a discretionary trust set up by Dr. Yeung Sau Shing, Albert, a deemed substantial shareholder of the Company (the "Deemed Substantial Shareholder").

The financial information contained in the Prospectus does not constitute the statutory annual financial statements of the Company for any of the financial years ended 31 March 2015, 2016 and 2017. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company was a private company at the relevant times, it was not required to deliver and has not delivered its financial statements for the financial years ended 31 March 2015, 2016 and 2017 to the Registrar of Companies.

The Company's auditor has reported on these financial statements for all the years ended 31 March 2015, 2016 and 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ulferts International Investment Limited (a) ("Ulferts Investment")	British Virgin Islands 17 February 1988	US\$1	100	–	Investment holding
True Fair Inc. (a)	British Virgin Islands 6 March 1991	US\$50,000	–	100	Investment holding
Ulferts of Sweden (Macau) Limited (a)	Macau 15 April 2004	MOP25,000	–	100	Liaising with project customers in Macau

Name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ulferts of Sweden (Far East) Limited (b)	Hong Kong 29 November 1975	HK\$350,000	–	100	Retail and wholesale of imported furniture, and special projects
Eurodecor Furniture (Holdings) Limited (c)	Hong Kong 1 November 1988	HK\$8,800,000	–	100	Provision of group tenancy nominee services
Eurodecor Furniture Limited (b) (formerly known as “Super Nation Limited”)	Hong Kong 5 March 1999	HK\$500,000	–	100	Retail of imported furniture and investment holding
Linkpac Development Limited (b)	Hong Kong 13 October 1999	HK\$2	–	100	Provision of group tenancy nominee services
Link Profit Investment Limited (b)	Hong Kong 8 August 2003	HK\$2	–	100	Provision of group tenancy nominee services
Marvel Win Limited (b)	Hong Kong 12 April 2010	HK\$1	–	100	Provision of group tenancy nominee services
Mighty Wish Limited (b)	Hong Kong 12 July 2011	HK\$1,000,000	–	100	Provision of group tenancy nominee services
Wealthy House Limited (b)	Hong Kong 20 January 2012	HK\$1	–	100	Provision of group tenancy nominee services
Rich Ascent Limited (d)	Hong Kong 3 July 2015	HK\$1	–	100	Provision of group tenancy nominee services
Glory Wish Limited (e)	Hong Kong 17 September 1999	HK\$2	–	100	Provision of group tenancy nominee services

Notes:

- (a) No audited financial statements have been prepared for these entities for the years ended 31 March 2015, 2016 and 2017, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.
- (b) The statutory financial statements of these entities for the years ended 31 March 2015, 2016 and 2017 prepared under Hong Kong Financial Reporting Standards (“HKFRSs”) were audited by Ernst & Young, Hong Kong.

- (c) The statutory financial statements of this entity for the year ended 31 March 2015 prepared under Hong Kong Financial Reporting Standard for Private Entities were audited by Cheng & Cheng Limited, and the statutory financial statements of this entity for the years ended 31 March 2016 and 2017 prepared under HKFRSs were audited by United CPA & Co.
- (d) The statutory financial statements of this entity for the period from 3 July 2015 (date of incorporation) to 31 March 2016 and the year ended 31 March 2017 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.
- (e) The statutory financial statements of this entity for the year ended 31 December 2014 prepared under HKFRSs were audited by Deloitte Touche Tohmatsu, Hong Kong. Pursuant to a resolution passed on 31 March 2016, the financial year end date of the entity was changed from 31 December to 31 March. The statutory financial statements of the entity for the period from 1 January 2015 to 31 March 2016 and year ended 31 March 2017 prepared under HKFRSs were audited by Ernst & Young, Hong Kong.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2017, together with the relevant transitional provisions, have been adopted/early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ⁵
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to a number of HKFRSs ⁴

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for annual periods beginning on or after 1 January 2018, except for the amendments to HKFRS 12, which are effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2021

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's financial performance and financial position, except as described below.

HKFRS 9 Financial Instruments

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. During the Relevant Periods, the Group performed a preliminary high-level assessment of the possible impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

So far, based on the preliminary assessment, the Group does not expect the adoption of HKFRS 9 will have a significant impact on the Group's overall financial performance and financial position upon initial application. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 and Amendments to HKFRS 15

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018.

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.

During the Relevant Periods, the Group performed a preliminary high-level assessment of the possible impact of the adoption of HKFRS 15. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

So far, based on the preliminary assessment, except for the more extensive disclosures as required by the new standard as indicated above, the Group does not expect the adoption of HKFRS 15 will have a significant impact on the Group's overall financial performance and financial position upon initial application. The Group will perform a more detailed analysis which considers all reasonable and supportable information upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees that they can elect as practical expedients – leases of low-value assets and short-term leases (i.e., where the lease term is 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). A lessee initially measures the right-of-use asset at cost, which consists of all of the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made to the lessor at or before the commencement date, less any lease incentives received from the lessor;
- any initial direct costs incurred by the lessee; and

- an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which the underlying asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The liability associated with dismantling, removal and restoration costs is recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. HKFRS 16 also requires lessees to make more extensive disclosures than under HKAS 17. The Group expects to adopt HKFRS 16 on 1 April 2019.

During the Relevant Periods, the Group performed a preliminary high-level assessment of the potential impact of the adoption of HKFRS 16. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

The application of the new requirements under HKFRS 16 is expected to result in changes in the measurement, presentation and disclosures of a lease as indicated above.

As set out in note 26 to the Historical Financial Information, the Group had total future minimum lease payments under non-cancelable operating leases of approximately HK\$69,852,000 as at 31 August 2017. So far, based on the preliminary assessment, the Group does not expect the adoption of HKFRS 16 will have a significant impact on the Group's overall financial performance and financial position upon initial application, except that certain portion of these operating lease commitments outstanding as at 1 April 2019 will be required to be recognised as lease liabilities after taking into account the effects of discounting, together with corresponding right-of-use assets, and other corresponding changes in presentation and disclosures, once HKFRS 16 is adopted. The Group will perform a more detailed analysis which considers all reasonable and supportable information upon the adoption of HKFRS 16 to determine the amounts of lease liabilities and right-of-use assets arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of any allowable practical expedients and adjusting for any leases entered into or terminated before the adoption of HKFRS 16 and the effects of discounting.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;

- (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	20% – 33 ¹ / ₃ %
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets*Initial recognition and measurement*

Financial assets of the Group are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities*Initial recognition and measurement*

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred in the process of disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

A provision for reinstatement costs is recognised when a contractual obligation under the terms of an operating lease has arisen to reinstate a leased property at the end of the lease. Reinstatement costs are provided at the value of the expected costs to settle the obligation at the end of the reporting period using estimated cash flows and an equivalent asset is recognised and depreciated over the term of the operating lease. The estimated future costs of reinstatement are reviewed, and adjusted if appropriate, at least at each financial year end.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the relevant services have been rendered; and

- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits*Retirement benefit schemes*

The Group operates an occupational retirement scheme registered under the Hong Kong Occupational Retirement Schemes Ordinance for those employees who are eligible to participate in the scheme. This scheme has been granted exemption under the Hong Kong Mandatory Provident Fund Schemes Ordinance. When an employee leaves the scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of the forfeited employer's contributions.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to these schemes are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the schemes. The assets of these schemes are held separately from those of the Group in independently administered funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management 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.

Estimation uncertainty

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 next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provisions for reinstatement costs

The Group makes provisions for reinstatement costs associated with certain leased properties under operating leases attributable to the Group based on the estimates of the expected costs to be incurred to settle the relevant contractual obligations under the terms of the leases at the end of each reporting period, which are subject to uncertainties and might differ from the actual costs incurred. Significant judgements and estimates are required, including, inter alia, making various assumptions with reference to past experience and available information to determine the expected costs to be incurred. Further details are included in note 21 to the Historical Financial Information.

Impairment of receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers various factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Net realisable value of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged analyses and other specific assessments of the Group's inventories, projections of expected future saleability of goods based on historical sales patterns and other specific attributes, and management experience and judgement. Based on such review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market and economic environment and customers' preference, actual saleability of goods and actual selling prices that could be realised might be different from the original estimation and profit or loss could be affected by differences in these estimations.

4. OPERATING SEGMENT INFORMATION

The Group principally focuses on the retail and wholesale of imported furniture, and special projects. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

Substantially all of the Group's revenues from external customers during each of the Relevant Periods were attributed to Hong Kong based on the location of the customers.

(b) Non-current assets

All of the Group's non-current assets as at the end of each of the Relevant Periods were located in Hong Kong based on the location of the assets.

Information about major customers

No revenues from transactions with a single external customer for each of the Relevant Periods and the period covered by the Interim Comparative Financial Information amounted to 10% or more of the total revenues of the Group for that period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of project services rendered during the year/period.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
				(Unaudited)	
Revenue					
Retail of furniture	159,703	190,475	207,859	73,656	85,231
Wholesale of furniture	14,586	13,750	13,138	5,061	5,115
Special projects – project sales and consultancy services arrangements	7,058	5,845	3,334	257	2,504
	<u>181,347</u>	<u>210,070</u>	<u>224,331</u>	<u>78,974</u>	<u>92,850</u>

During the Relevant Periods, the Group generated revenues from certain projects for the supply of custom-made furniture and other related products and services ("project sales") and arrangements involving the supply of custom-made furniture and related products and services by external furniture suppliers to certain fellow subsidiaries ("consultancy services arrangements"). During the years ended 31 March 2015, 2016 and 2017, and the five months ended 31 August 2016 and 2017, the Group's total revenue from consultancy services arrangements amounted to approximately nil, HK\$505,000, HK\$1,374,000, nil and nil, respectively.

During the Relevant Periods, the Group entered into several contractual arrangements with certain third parties for the supply of custom-made furniture and related services, pursuant to which, the Group directly/indirectly delivered such goods and services to certain fellow subsidiaries and, in the opinion of the directors of

the Company, these are special project arrangements involving the fellow subsidiaries. For the years ended 31 March 2015, 2016 and 2017, and the five months ended 31 August 2016 and 2017, the Group recognised project sales revenues of approximately HK\$3,093,000, HK\$127,000, HK\$109,000, HK\$88,000 and HK\$1,346,000, respectively, under such arrangements.

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Other income and gains					
Other service income	486	667	701	267	282
Gain on disposal of items of property, plant and equipment	26	–	75	–	–
Provisions for reinstatement costs – reversal of unutilised provisions/decrease in estimated provisions	–	–	3,574	383	–
Others	317	168	276	75	101
	<u>829</u>	<u>835</u>	<u>4,626</u>	<u>725</u>	<u>383</u>

6. FINANCE COST

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Interest on bank borrowings	<u>63</u>	<u>2</u>	<u>1</u>	<u>–</u>	<u>18</u>

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 March			Five months ended 31 August	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i>
Cost of inventories sold		71,464	74,049	78,904	27,338	33,482
Reversal of write-down of inventories to net realisable value		(175)	(63)	(169)	–	–
Write-down of inventories to net realisable value		126	505	292	321	47
Amount of inventories recognised as cost of sales		71,415	74,491	79,027	27,659	33,529
Auditor's remuneration		408	400	400	154	168
Underprovision in prior years		7	5	–	–	–
		415	405	400	154	168
Depreciation	13	4,078	8,858	9,456	4,473	3,632
Loss/(gain) on disposal/write-off of items of property, plant and equipment		(26)	–	(75)	–	543*
Impairment of an other receivable	17	178	–	–	–	–
Minimum lease payments under operating leases		26,389	36,236	40,942	16,585	20,221
Contingent rents under operating leases		206	207	618	49	70
		26,595	36,443	41,560	16,634	20,291
Employee benefit expense (excluding directors' remuneration (<i>note 8</i>)): Wages, salaries, bonuses and allowances		24,365	30,246	31,530	12,131	14,322
Pension scheme contributions (defined contribution schemes)		1,223	1,389	1,379	530	613
		25,588	31,635	32,909	12,661	14,935
Foreign exchange differences, net		(955)	(438)	(594)	(162)	(105)

* The loss on disposal/write-off of items of property, plant and equipment is included in "General and administrative expenses" in the consolidated statements of profit or loss and other comprehensive income.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration of the Group for the Relevant Periods and the period covered by the Interim Comparative Financial Information, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rule"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and discretionary bonuses	4,067	3,934	3,992	1,293	1,380
Pension scheme contributions (defined contribution scheme)	37	36	36	16	16
	4,104	3,970	4,028	1,309	1,396
	4,104	3,970	4,028	1,309	1,396

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, Mr. Ng Hoi Yue, Mr. Chiu Kin Fai and Ms. Chan Yee Man were appointed as independent non-executive directors of the Company on 8 January 2018.

There were no fees or other emoluments paid or payable to the independent non-executive directors of the Company during the Relevant Periods.

(b) Executive directors and the chief executive

	Salaries, allowances and discretionary bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Year ended 31 March 2015			
Executive directors:			
Ng Koon Keung, Ricky ⁽¹⁾	2,045	18	2,063
Mok Fung Lin, Ivy	1,420	18	1,438
Wong Chi Fai	–	–	–
Fan Man Seung, Vanessa	–	–	–
To Lung Sang ⁽²⁾	602	1	603
	<u>4,067</u>	<u>37</u>	<u>4,104</u>
Year ended 31 March 2016			
Executive directors:			
Ng Koon Keung, Ricky	2,425	18	2,443
Mok Fung Lin, Ivy	1,509	18	1,527
Wong Chi Fai	–	–	–
Fan Man Seung, Vanessa	–	–	–
	<u>3,934</u>	<u>36</u>	<u>3,970</u>
Year ended 31 March 2017			
Executive directors:			
Ng Koon Keung, Ricky	2,484	18	2,502
Mok Fung Lin, Ivy	1,508	18	1,526
Wong Chi Fai	–	–	–
Fan Man Seung, Vanessa	–	–	–
	<u>3,992</u>	<u>36</u>	<u>4,028</u>
Five months ended 31 August 2017			
Executive directors:			
Ng Koon Keung, Ricky	850	8	858
Mok Fung Lin, Ivy	530	8	538
Wong Chi Fai	–	–	–
Fan Man Seung, Vanessa	–	–	–
	<u>1,380</u>	<u>16</u>	<u>1,396</u>
Five months ended 31 August 2016 (Unaudited)			
Executive directors:			
Ng Koon Keung, Ricky	775	8	783
Mok Fung Lin, Ivy	518	8	526
Wong Chi Fai	–	–	–
Fan Man Seung, Vanessa	–	–	–
	<u>1,293</u>	<u>16</u>	<u>1,309</u>

- (1) Appointed as an executive director and the chief executive of the Company on 1 May 2014
- (2) Resigned as an executive director and the chief executive of the Company on 1 May 2014

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid or payable by the Group to the executive directors and the chief executive as an inducement to join or upon joining the Group or as compensation for the loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included two directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Salaries, allowances and discretionary bonuses	2,732	2,872	2,790	998	1,052
Pension schemes contributions	136	140	142	57	59
	<u>2,868</u>	<u>3,012</u>	<u>2,932</u>	<u>1,055</u>	<u>1,111</u>

The number of non-director and non-chief executive highest paid employees of the Group whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016 (Unaudited)	2017
Nil to HK\$1,000,000	2	2	2	3	3
HK\$1,000,000 to HK\$1,500,000	1	1	1	–	–
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no emolument was paid or payable by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% for each of the Relevant Periods and the period covered by the Interim Comparative Financial Information on the estimated assessable profits arising in Hong Kong during each of the Relevant Periods and the period covered by the Interim Comparative Financial Information.

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Current – Hong Kong					
Charge for the year	4,881	5,197	6,128	1,435	386
Overprovision in prior years	(21)	(43)	–	–	–
Deferred (<i>note 22</i>)	–	(503)	(701)	(347)	260
Total tax charge for the year	<u>4,860</u>	<u>4,651</u>	<u>5,427</u>	<u>1,088</u>	<u>646</u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the Hong Kong statutory tax rate (statutory tax rate for the jurisdiction in which the Company and the majority of the Group's operating subsidiaries are domiciled) to the tax charge at the Group's effective tax rate is as follows:

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Profit/(loss) before tax	<u>28,148</u>	<u>27,004</u>	<u>35,572</u>	<u>6,362</u>	<u>(5,195)</u>
Tax expense/(credit) at the Hong Kong statutory tax rate of 16.5%	4,644	4,456	5,869	1,050	(857)
Adjustment in respect of current tax of previous periods	(21)	(43)	–	–	–
Income not subject to tax	(4)	–	(589)	(63)	–
Expenses not deductible for tax	156	278	187	117	1,520
Others	<u>85</u>	<u>(40)</u>	<u>(40)</u>	<u>(16)</u>	<u>(17)</u>
Tax charge at the Group's effective tax rate	<u>4,860</u>	<u>4,651</u>	<u>5,427</u>	<u>1,088</u>	<u>646</u>

11. DIVIDENDS

The dividends declared by the Company during the Relevant Periods are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
Interim – HK\$330,000*, HK\$48,515, nil, nil and nil per ordinary share for the years ended 31 March 2015, 2016 and 2017, and the five months ended 31 August 2016 and 2017, respectively	33,000	4,852	–	–	–

* Including interim dividends of HK\$210,000 and HK\$120,000 per ordinary share for the year ended 31 March 2015.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue taking into account the share subdivision subsequent to the Relevant Periods (the “Share Subdivision”) as further detailed in note 23 to the Historical Financial Information.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

	Year ended 31 March			Five months ended 31 August	
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
<u>Earnings</u>					
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation	23,288	22,353	30,145	5,274	(5,841)
<u>Shares</u>					
Weighted average number of ordinary shares in issue used in the basic and diluted earnings/(loss) per share calculation taking into account the Share Subdivision	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2015				
At 1 April 2014:				
Cost	34,187	11,855	2,387	48,429
Accumulated depreciation	<u>(24,834)</u>	<u>(11,306)</u>	<u>(1,815)</u>	<u>(37,955)</u>
Net carrying amount	<u>9,353</u>	<u>549</u>	<u>572</u>	<u>10,474</u>
At 1 April 2014, net of accumulated depreciation				
	9,353	549	572	10,474
Additions	7,023	189	–	7,212
Acquisition of a business (<i>note 24</i>)	–	–	140	140
Depreciation provided during the year	<u>(3,571)</u>	<u>(242)</u>	<u>(265)</u>	<u>(4,078)</u>
At 31 March 2015, net of accumulated depreciation	<u>12,805</u>	<u>496</u>	<u>447</u>	<u>13,748</u>
At 31 March 2015:				
Cost	31,885	11,794	2,217	45,896
Accumulated depreciation	<u>(19,080)</u>	<u>(11,298)</u>	<u>(1,770)</u>	<u>(32,148)</u>
Net carrying amount	<u>12,805</u>	<u>496</u>	<u>447</u>	<u>13,748</u>
31 March 2016				
At 31 March 2015 and at 1 April 2015:				
Cost	31,885	11,794	2,217	45,896
Accumulated depreciation	<u>(19,080)</u>	<u>(11,298)</u>	<u>(1,770)</u>	<u>(32,148)</u>
Net carrying amount	<u>12,805</u>	<u>496</u>	<u>447</u>	<u>13,748</u>
At 1 April 2015, net of accumulated depreciation				
	12,805	496	447	13,748
Additions	14,922	319	–	15,241
Depreciation provided during the year	<u>(8,327)</u>	<u>(290)</u>	<u>(241)</u>	<u>(8,858)</u>
At 31 March 2016, net of accumulated depreciation	<u>19,400</u>	<u>525</u>	<u>206</u>	<u>20,131</u>
At 31 March 2016:				
Cost	46,807	12,113	2,217	61,137
Accumulated depreciation	<u>(27,407)</u>	<u>(11,588)</u>	<u>(2,011)</u>	<u>(41,006)</u>
Net carrying amount	<u>19,400</u>	<u>525</u>	<u>206</u>	<u>20,131</u>

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2017				
At 31 March 2016 and at 1 April 2016:				
Cost	46,807	12,113	2,217	61,137
Accumulated depreciation	<u>(27,407)</u>	<u>(11,588)</u>	<u>(2,011)</u>	<u>(41,006)</u>
Net carrying amount	<u>19,400</u>	<u>525</u>	<u>206</u>	<u>20,131</u>
At 1 April 2016, net of accumulated depreciation				
	19,400	525	206	20,131
Additions	2,825	110	–	2,935
Write-off (note 21)	(920)	–	–	(920)
Disposal	–	–	(43)	(43)
Depreciation provided during the year	<u>(9,110)</u>	<u>(225)</u>	<u>(121)</u>	<u>(9,456)</u>
At 31 March 2017, net of accumulated depreciation	<u>12,195</u>	<u>410</u>	<u>42</u>	<u>12,647</u>
At 31 March 2017:				
Cost	44,684	12,223	2,077	58,984
Accumulated depreciation	<u>(32,489)</u>	<u>(11,813)</u>	<u>(2,035)</u>	<u>(46,337)</u>
Net carrying amount	<u>12,195</u>	<u>410</u>	<u>42</u>	<u>12,647</u>
31 August 2017				
At 31 March 2017 and at 1 April 2017:				
Cost	44,684	12,223	2,077	58,984
Accumulated depreciation	<u>(32,489)</u>	<u>(11,813)</u>	<u>(2,035)</u>	<u>(46,337)</u>
Net carrying amount	<u>12,195</u>	<u>410</u>	<u>42</u>	<u>12,647</u>
At 1 April 2017, net of accumulated depreciation				
	12,195	410	42	12,647
Additions	7,386	254	–	7,640
Disposals/write-off	(536)	(7)	–	(543)
Depreciation provided during the period	<u>(3,516)</u>	<u>(81)</u>	<u>(35)</u>	<u>(3,632)</u>
At 31 August 2017, net of accumulated depreciation	<u>15,529</u>	<u>576</u>	<u>7</u>	<u>16,112</u>
At 31 August 2017:				
Cost	45,718	12,351	2,077	60,146
Accumulated depreciation	<u>(30,189)</u>	<u>(11,775)</u>	<u>(2,070)</u>	<u>(44,034)</u>
Net carrying amount	<u>15,529</u>	<u>576</u>	<u>7</u>	<u>16,112</u>

14. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Unlisted shares, at cost	6,065	6,065	6,065	6,065

Particulars of the subsidiaries are disclosed in note 1 to the Historical Financial Information.

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

15. INVENTORIES

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Goods held for sale	34,648	30,995	32,944	46,227

16. TRADE RECEIVABLES

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Trade receivables	3,805	3,565	4,473	5,103

The Group's retail sales are usually paid in cash or by major credit/debit cards. The Group's trading terms with its wholesale, project and consultancy services customers are mainly on credit, except for new customers, where payment in advance/upon delivery is normally required. The credit period for these customers is generally one to two months, or extending up to six months for major project and consultancy service customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group, based on the invoice date, is as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Within 1 month	1,071	980	2,045	3,267
1 to 3 months	1,885	1,988	1,918	760
Over 3 months	849	597	510	1,076
	3,805	3,565	4,473	5,103

Included in the Group's trade receivables are amounts due from fellow subsidiaries of approximately HK\$1,078,000, HK\$225,000, HK\$221,000 and HK\$379,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, which are unsecured, non-interest-bearing and repayable within one month.

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Neither past due nor impaired	2,071	1,181	2,820	3,640
Less than 1 month past due	885	1,757	1,094	631
1 to 3 months past due	844	84	105	80
Over 3 months past due	5	543	454	752
	<u>3,805</u>	<u>3,565</u>	<u>4,473</u>	<u>5,103</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Prepayments	1,283	954	2,889	5,597
Deposits and other receivables	<u>10,322</u>	<u>13,223</u>	<u>17,571</u>	<u>20,032</u>
	11,605	14,177	20,460	25,629
Impairment	<u>(178)</u>	<u>(178)</u>	<u>(178)</u>	<u>(178)</u>
	11,427	13,999	20,282	25,451
Less: Non-current portion	<u>(9,019)</u>	<u>(7,666)</u>	<u>(6,762)</u>	<u>(10,185)</u>
Current portion	<u>2,408</u>	<u>6,333</u>	<u>13,520</u>	<u>15,266</u>
Company				
Prepayments	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,008</u>

None of the financial assets included in the above balances is either past due or impaired, except for an other receivable which was fully impaired, with a carrying amount before provision of approximately HK\$178,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017. The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default.

The individually impaired other receivable relates to a debtor that was in default in payments and the balance is not expected to be recovered.

Included in the Group's other receivables is an amount due from a fellow subsidiary of approximately nil, HK\$50,000, HK\$50,000 and HK\$3,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, which is unsecured, non-interest-bearing and has no fixed terms of repayment.

Included in the Group's other receivables is an amount due from the immediate holding company of approximately nil, nil, HK\$1,000 and HK\$3,000 as at 31 March 2015, 2016, 2017 and 31 August 2017, respectively, which is unsecured, non-interest-bearing and has no fixed terms of repayment.

18. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables, based on the invoice date, is as follows:

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within 1 month	7,970	3,294	4,907	8,487
1 to 3 months	150	–	3	650
Over 3 months	595	276	336	40
	<u>8,715</u>	<u>3,570</u>	<u>5,246</u>	<u>9,177</u>

The trade and bills payables are non-interest-bearing and are normally settled on 60-day to 120-day terms.

The Group's trade and bills payables included amounts denominated in the following foreign currencies:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
United States dollar ("US\$")	2,754	312	380	971
Euro ("EUR")	4,785	2,823	4,343	7,309
	<u>7,539</u>	<u>3,135</u>	<u>4,723</u>	<u>8,280</u>

19. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Other payables and accruals	6,587	6,785	7,182	15,904
Deferred revenue	864	1,027	1,033	1,185
Customer deposits	17,357	17,926	17,421	34,245
	<u>24,808</u>	<u>25,738</u>	<u>25,636</u>	<u>51,334</u>

Company

Other payables and accruals	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,870</u>
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Included in the Group's other payables and accruals is an amount due to a fellow subsidiary of approximately HK\$726,000, HK\$363,000, HK\$1,073,000 and HK\$1,797,000 as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively, which is unsecured, non-interest-bearing and has no fixed terms of repayment. Save as the above, other payables are non-interest-bearing and have an average term of one month.

Deferred revenue represents cash received in advance from the sale of gift vouchers. Revenue is recognised and deferred revenue is released to profit or loss upon the gift vouchers are used by end-customers.

20. INTEREST-BEARING BANK BORROWINGS

Group

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Current				
Bank borrowings repayable within one year or on demand – unsecured	–	–	–	12,526

The Group's bank borrowings are denominated in the following currencies:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
US\$	–	–	–	692
EUR	–	–	–	11,834
	–	–	–	12,526

As at 31 August 2017, the bank borrowings bore interest at United States dollar/Euro prime lending rates as quoted by the relevant banks or the higher of the following:

- United States dollar/Euro prime lending rates as quoted by the relevant banks
- London Interbank Offered Rate plus 1.95% – 2.5%

As at 31 August 2017, the bank borrowings of the Group with a total carrying amount of approximately HK\$12,526,000 containing a repayment on demand clause have been classified in total as current liabilities. For the purpose of the above analysis, the bank borrowings are analysed into bank borrowings repayable within one year or on demand.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had aggregate banking facilities amounting to approximately HK\$32,000,000, HK\$32,000,000, HK\$32,000,000 and HK\$67,000,000, respectively, of which aggregate amounts of HK\$8,551,000, HK\$5,793,000, HK\$8,334,000 and HK\$25,629,000 were utilised as at 31 March 2015, 2016 and 2017 and 31 August 2017, respectively.

Dr. Albert Yeung, the Deemed Substantial Shareholder, has provided personal guarantees (the "Personal Guarantees") for the Group's banking facilities during the Relevant Periods.

The relevant banks have agreed in principle that the Personal Guarantees provided by Dr. Albert Yeung would be replaced by guarantees from the Company upon the listing of the shares of the Company on the Main Board of the Stock Exchange.

21. PROVISIONS

Group

Pursuant to the terms of relevant tenancy agreements, the Group, as the lessee of certain properties under operating leases, has the obligations to reinstate its leased properties to their original state or to a condition as specified in the respective tenancy agreements at the cost of the Group at the end/upon the termination of the relevant lease terms.

	Provisions for reinstatement costs			As at
	As at 31 March			31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year/period	4,797	5,560	8,216	3,975
Additional provisions	1,695	2,706	300	1,030
Amounts utilised during the year/ period	(932)	(50)	(47)	(2,000)
Reversal of unutilised amounts/ decrease in estimated provisions	—	—	(4,494)*	—
At 31 March/31 August	5,560	8,216	3,975	3,005
Less: Non-current portion	(5,510)	(4,106)	(1,530)	(2,660)
Current portion	<u>50</u>	<u>4,110</u>	<u>2,445</u>	<u>345</u>

* For the decrease in estimated provisions, except for the decrease that exceeded the carrying amount of the related assets, which is recognised immediately in profit or loss, the remaining amount of approximately HK\$920,000 was deducted (written-off) from the cost of the related assets during the year ended 31 March 2017 (note 13).

The provisions for reinstatement costs were determined based on certain assumptions and estimates made by the directors of the Company with reference to past experience and available information. The assumptions and estimates are reviewed, and revised where appropriate, at least at each financial year/period end.

22. DEFERRED TAX ASSETS

Group

The movements in deferred tax assets during the Relevant Periods are as follows:

	<i>Note</i>	Depreciation in excess of related depreciation allowance <i>HK\$'000</i>
At 1 April 2014, 31 March 2015 and 1 April 2015		10
Deferred tax credited to profit or loss during the year	<i>10</i>	<u>503</u>
At 31 March 2016 and 1 April 2016		513
Deferred tax credited to profit or loss during the year	<i>10</i>	<u>701</u>
At 31 March 2017 and 1 April 2017		1,214
Deferred tax charged to profit or loss during the period	<i>10</i>	<u>(260)</u>
At 31 August 2017		<u>954</u>

23. SHARE CAPITAL

Shares

	As at 31 March			As at
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	31 August 2017 HK\$'000
Amount of issued and fully paid shares	<u>6,065</u>	<u>6,065</u>	<u>6,065</u>	<u>6,065</u>
				Five months ended 31 August 2017
	Year ended 31 March			
	2015	2016	2017	
Number of shares:				
At the beginning of the year/period	100	100	100	100
Additional shares from share subdivision [#]	<u>–</u>	<u>–</u>	<u>–</u>	<u>599,999,900</u>
At the end of the year/period	<u>100</u>	<u>100</u>	<u>100</u>	<u>600,000,000</u>

[#] Pursuant to a written resolution of the sole shareholder of the Company passed on 3 July 2017, every existing ordinary share in the capital of the Company was subdivided into 6,000,000 shares, resulting in the subdivision of 100 ordinary shares of the Company then in issue into 600,000,000 ordinary shares of the Company.

24. BUSINESS COMBINATION

Group

On 2 September 2014, the Group entered into certain agreements with independent third parties to acquire a furniture retail business and related assets and arrangements (the "Eurodecor Furniture Business"), for an aggregate consideration of approximately HK\$2,832,000. The purchase consideration for the acquisition was satisfied in the form of cash and a retention payable of approximately HK\$2,532,000 and HK\$300,000, respectively. The retention payable was interest-free and payable at the end of a retention period of one year from 2 September 2014 upon no default event specified in the sale and purchase agreement.

The fair values of the identifiable assets of the Eurodecor Furniture Business as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK\$'000
Inventories		2,032
Motor vehicle	13	140
Rental deposit		<u>660</u>
Total identifiable net assets at fair value		<u>2,832</u>
Satisfied by:		
Cash		2,532
Retention payable		<u>300</u>
		<u>2,832</u>

The retention payable was settled by cash in October 2015.

Since the acquisition, the Eurodecor Furniture Business contributed HK\$3,453,000 to the Group's revenue and reduced the Group's consolidated profit by approximately HK\$356,000 for the year ended 31 March 2015.

In the opinion of the directors of the Company, as the Eurodecor Furniture Business was operated under a different structure/arrangement prior to the acquisition, it is impracticable to disclose the revenue and profit or loss of the Group for the year ended 31 March 2015 as though the acquisition date for that business combination had been as of the beginning of that financial year.

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, additional provisions for reinstatement costs in respect of certain leased properties of the Group amounting to approximately HK\$1,695,000, HK\$2,706,000, HK\$300,000, HK\$85,000 and HK\$1,030,000, respectively, were recognised and these amounts were recognised as part of the cost of related property, plant and equipment of the Group and reflected as additions to leasehold improvements of the Group during the respective periods.

During the year ended 31 March 2016, an interim dividend declared by the Company of approximately HK\$4,852,000 was settled through the Group's balance with the immediate holding company.

For the year ended 31 March 2017, the cost of certain items of property, plant and equipment relating to certain provisions for reinstatement costs totalling approximately HK\$920,000 was written-off as a result of a decrease in the estimated provisions.

(b) Reconciliation of liabilities arising from financing activities

	As at 1 April 2014 <i>HK\$'000</i>	Changes from financing cash flows <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>
Interest-bearing bank borrowings	3,695	(3,695)	–
	<u>3,695</u>	<u>(3,695)</u>	<u>–</u>
	As at 31 March 2016 and 1 April 2016 <i>HK\$'000</i>	Changes from financing cash flows <i>HK\$'000</i> (Unaudited)	As at 31 August 2016 <i>HK\$'000</i> (Unaudited)
Interest-bearing bank borrowings	–	957	957
	<u>–</u>	<u>957</u>	<u>957</u>
	As at 31 March 2017 and 1 April 2017 <i>HK\$'000</i>	Changes from financing cash flows <i>HK\$'000</i>	As at 31 August 2017 <i>HK\$'000</i>
Interest-bearing bank borrowings	–	12,526	12,526
	<u>–</u>	<u>12,526</u>	<u>12,526</u>

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties, retail stores, warehouse and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years, and those for office equipment are for terms of five years.

At 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	27,904	23,831	38,017	38,496
In the second to fifth years, inclusive	<u>33,679</u>	<u>19,693</u>	<u>20,720</u>	<u>31,356</u>
	<u>61,583</u>	<u>43,524</u>	<u>58,737</u>	<u>69,852</u>

The operating leases of certain retail stores also called for additional rentals, which would be based on certain percentage of revenue/turnover of the operations being undertaken therein pursuant to the terms and conditions as stipulated in the respective tenancy agreements. As the future revenue/turnover of these retail stores could not be reliably determined at the end of each of the Relevant Periods, the relevant contingent rental has not been included in the operating lease commitments disclosure above. Certain of the lease arrangements contain renewal options.

On 7 June 2017, the Group entered into a termination agreement (the "Termination Agreement") with a fellow subsidiary to terminate a tenancy agreement (the "Tenancy Agreement") with the fellow subsidiary in respect of a retail store of the Group with an original lease term from 1 April 2015 to 31 March 2018, with effect from 1 August 2017. Once the Termination Agreement became effective, the Group's total future minimum lease payments under non-cancellable operating leases falling due within the year ending 31 March 2018 would be reduced by HK\$3,144,000.

27. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

Notes	Year ended 31 March			Five months ended	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Fellow subsidiaries					
Project sales (i)	2,593	4,949	1,108	122	1,021
Sales of furniture (ii)	489	953	–	–	–
Rentals (iii)	13,817	15,269	15,423	6,322	6,196
Reimbursements of administrative expenses (iv)	1,041	1,239	577	220	187
Sponsor fee (v)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>720</u>

Notes:

- (i) The project sales were at terms agreed by the relevant parties as set out in respective agreements.
- (ii) The sales of furniture were at the terms agreed by the relevant parties.
- (iii) The rentals charged were based on terms as agreed by the relevant parties as set out in respective tenancy agreements.
- (iv) The reimbursement of administrative expenses charged by a fellow subsidiary was with reference to the costs incurred by the fellow subsidiary.
- (v) A fellow subsidiary has been appointed as one of the joint sponsors for the initial listing of the shares of the Company on the Main Board of the Stock Exchange pursuant to an engagement letter for a total agreed sponsor fee of HK\$1,200,000. Up to 31 August 2017, the total amount of such sponsor fee incurred amounted to HK\$960,000, of which HK\$720,000 was charged to profit or loss for the five months ended 31 August 2017.
- (b) The amount due from the immediate holding company included in the Company's current assets is unsecured, interest-free and has no fixed terms of repayment.
- (c) Operating lease arrangements

At 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had total future minimum lease payments under non-cancellable operating leases of properties entered into with certain fellow subsidiaries of the Group falling due as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	14,902	16,139	16,207	7,128
In the second to fifth years, inclusive	28,700	14,891	714	519
	<u>43,602</u>	<u>31,030</u>	<u>16,921</u>	<u>7,647</u>

The above future minimum lease payments and the effect of the Termination Agreement thereon are also included in note 26 to the Historical Financial Information. Certain of these leases contain renewal options.

- (d) Compensation of key management personnel of the Group:

	Year ended 31 March			Five months ended	
	2015	2016	2017	31 August	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Short-term employee benefits	6,799	6,806	6,782	2,291	2,432
Post-employment benefits	173	176	178	73	75
Total compensation paid to key management personnel	<u>6,972</u>	<u>6,982</u>	<u>6,960</u>	<u>2,364</u>	<u>2,507</u>

Further details of the directors' and chief executive's emoluments are included in note 8 to the Historical Financial Information.

- (e) Pursuant to certain conditions of the Tenancy Agreement for a retail store of the Group entered into with a fellow subsidiary on 31 March 2015, upon the natural expiry or early termination of the Tenancy Agreement (for the whole or an applicable portion of the leased property) under certain conditions, the Group could handover the property (or the applicable portion) to the landlord, on "as-is basis" condition as at the date of the handover without reinstatement provided that the Group should pay an aggregate amount in lieu of reinstatement of HK\$2,000,000 upon expiry/termination of the lease term of the Tenancy Agreement.

As further detailed in note 26 to the Historical Financial Information, the Group and the landlord agreed to terminate the Tenancy Agreement with effect from 1 August 2017 and the Group settled the aggregate amount in lieu of reinstatement of HK\$2,000,000 with the landlord upon termination of the lease term of the Tenancy Agreement during the five months ended 31 August 2017.

- (f) During the five months ended 31 August 2017, marketing and promotional expenses of HK\$400,000 were charged by a fellow subsidiary based on terms as agreed by the relevant parties.

28. CONTINGENT LIABILITIES

At 31 March 2015, 2016 and 2017 and 31 August 2017, contingent liabilities not provided for by the Group in the Historical Financial Information were as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
In connection with a bank guarantee given to a landlord in lieu of rental deposit required under certain tenancy agreement	—	—	—	2,535

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

Group

	Loans and receivables			As at
	As at 31 March			31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	3,805	3,565	4,473	5,103
Financial assets included in prepayments, deposits and other receivables	10,144	12,817	13,607	16,479
Cash and cash equivalents	4,668	13,435	39,818	53,261
	<u>18,617</u>	<u>29,817</u>	<u>57,898</u>	<u>74,843</u>

Company

	Loans and receivables			As at
	As at 31 March			31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due from a subsidiary	78	71	64	60
Due from the immediate holding company	—	—	1	3
	<u>78</u>	<u>71</u>	<u>65</u>	<u>63</u>

Financial liabilities

Group

	Financial liabilities at amortised cost			
	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and bills payables	8,715	3,570	5,246	9,177
Financial liabilities included in other payables and accruals	4,985	3,667	5,690	12,271
Interest-bearing bank borrowings	—	—	—	12,526
	<u>13,700</u>	<u>7,237</u>	<u>10,936</u>	<u>33,974</u>

Company

	Financial liabilities at amortised cost			
	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	—	—	—	3,870
Due to a subsidiary	—	—	—	8,163
	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,033</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of each of the Relevant Periods, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities/no fixed terms of repayment of these instruments or the effect of discounting is not material.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates regularly.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax for the five months ended 31 August 2017 (through the impact on floating rate interest-bearing bank borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax <i>HK\$'000</i>
Five months ended 31 August 2017		
US\$	50	3
	(50)	(3)
EUR	50	59
	(50)	(59)

The directors of the Company consider the Group's exposure to interest rate risk as at 31 March 2015, 2016 and 2017 was not significant.

Foreign currency risk

The Group has transactional currency exposures. Such exposures primarily arise from purchases by the Group's operating units and certain monetary liabilities of the Group denominated in EUR and US\$, being currencies other than the units' functional currencies. For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, certain interest-bearing bank borrowings and purchases of the Group were denominated in EUR and US\$, which are different from the functional currencies of the respective operating units. The directors of the Company do not expect any significant movements in the US\$/HK\$ exchange rate as the HK\$ is pegged to the US\$ within a narrow band.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the EUR exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in EUR exchange rate %	Increase/ (decrease) in profit/ (loss) before tax HK\$'000
2015		
If HK\$ weakens against EUR	5	(239)
If HK\$ strengthens against EUR	(5)	239
2016		
If HK\$ weakens against EUR	5	(141)
If HK\$ strengthens against EUR	(5)	141
2017		
If HK\$ weakens against EUR	5	(217)
If HK\$ strengthens against EUR	(5)	217
31 August 2017		
If HK\$ weakens against EUR	5	957
If HK\$ strengthens against EUR	(5)	(957)

Credit risk

The Group trades on credit terms primarily with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprises financial assets included in prepayments, deposits and other receivables and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Historical Financial Information.

Liquidity risk

The Group's objective is to maintain adequate funds to meet commitments associated with its financial liabilities. Cash flows of the Group are closely monitored by senior management on an on-going basis, considering the maturity of the Group's financial liabilities and financial assets, and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	As at 31 March 2015		
	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
Trade and bills payables	–	8,715	8,715
Financial liabilities included in other payables and accruals	726	4,259	4,985
	<u>726</u>	<u>12,974</u>	<u>13,700</u>

	As at 31 March 2016		
	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
Trade and bills payables	–	3,570	3,570
Financial liabilities included in other payables and accruals	363	3,304	3,667
	<u>363</u>	<u>6,874</u>	<u>7,237</u>

	As at 31 March 2017		
	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
Trade and bills payables	–	5,246	5,246
Financial liabilities included in other payables and accruals	1,073	4,617	5,690
	<u>1,073</u>	<u>9,863</u>	<u>10,936</u>

	As at 31 August 2017		
	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
Trade and bills payables	–	9,177	9,177
Financial liabilities included in other payables and accruals	1,797	10,474	12,271
Interest-bearing bank borrowings	12,526	–	12,526
	<u>14,323</u>	<u>19,651</u>	<u>33,974</u>

As at 31 August 2017, the above interest-bearing bank borrowings with carrying amounts of approximately HK\$12,526,000 contain a repayment on demand clause giving the banks the unconditional right to call in the borrowings at any time and, therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors do not believe that the borrowings will be called in their entirety at any time and they consider that the borrowings will be repaid in accordance with the maturity dates as set out in the corresponding banking facilities letter and bank correspondence. This evaluation was made after considering: the financial position of the Group at the date of this report; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the bank borrowings which contain a repayment on demand clause, the maturity profile of the bank borrowings as at 31 August 2017, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, is as follows:

	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
As at 31 August 2017	–	12,588	12,588

The maturity profile of the Company's financial liabilities as at 31 August 2017, based on the contractual undiscounted payments, is as follows:

Company

	As at 31 August 2017		
	No fixed terms of repayment/ on demand HK\$'000	Less than one year HK\$'000	Total HK\$'000
Other payables and accruals	–	3,870	3,870
Due to a subsidiary	8,163	–	8,163
	<u>8,163</u>	<u>3,870</u>	<u>12,033</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

III. EVENT AFTER THE RELEVANT PERIODS

In January 2018, the Company declared an interim dividend of HK\$0.12 per ordinary share amounting to HK\$72,000,000 in aggregate for the year ending 31 March 2018 to its then shareholder.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 August 2017 as if the Share Offer had taken place on 31 August 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 31 August 2017 or any future dates:

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company HK\$'000 (Notes 3 and 5)	Unaudited pro forma adjusted consolidated net tangible assets per Share HK\$ (Notes 4 and 5)
Based on the Offer Price of HK\$0.62 per Share	69,058	113,570	182,628	0.23
Based on the Offer Price of HK\$0.38 per Share	<u>69,058</u>	<u>67,010</u>	<u>136,068</u>	<u>0.17</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 August 2017 (“31 August 2017 NTA”) represents the audited consolidated net assets of the Group as at 31 August 2017 as extracted from “Appendix I – Accountants’ Report” to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on Offer Price of HK\$0.62 per Share and HK\$0.38 per Share, after deduction of the underwriting fees and other listing related expenses, but excluding listing related expenses of approximately HK\$9,025,000 charged to profit or loss during the five months ended 31 August 2017 and already reflected in the 31 August 2017 NTA.
- (3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2017.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustment referred to in Note 2 above and on the basis that 800,000,000 Shares are in issue, assuming the Share Offer has been completed on 31 August 2017 without taking into account of any Shares which may be allotted and issued upon the exercise of any share option that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account a dividend of HK\$72 million paid by the Company before the Listing. Had the dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$110,628,000 and HK\$0.14, respectively (assuming an Offer Price of HK\$0.62 per Share) and HK\$64,068,000 and HK\$0.08, respectively (assuming an Offer Price of HK\$0.38 per Share).

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus, in respect of the Group's pro forma financial information.



22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

To the Directors of Ulferts International Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ulferts International 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 August 2017 and related notes as set out on pages II-1 and II-2 of the prospectus dated 16 January 2018 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the placing and public offer of shares of the Company on the Group's financial position as at 31 August 2017 as if the transaction had taken place at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the five months ended 31 August 2017, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* 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*, 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 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 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 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the placing and public offer of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the 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 transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

16 January 2018

This Appendix contains a summary of the articles of association of our Company (the “Articles”). As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Appendix V – Documents delivered to the Registrar of Companies and available for Inspection” in this prospectus, a copy of the Articles is available for inspection.

The Articles were adopted on by our sole Shareholder on 8 January 2018 and will become effective on the Listing Date. The following is a summary of certain provisions of the Articles. The powers conferred or permitted by the Articles are subject to the provisions of the Companies Ordinance, the CWUMPO and other ordinances, subsidiary legislation and the Listing Rules.

ALTERATION OF CAPITAL

Our Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

- (a) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;
- (b) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of our Company;
- (c) capitalising its profits, with or without allotting and issuing new shares;
- (d) allotting and issuing bonus shares with or without increasing its share capital;
- (e) converting all or any of its share into a larger or smaller number of shares;
- (f) cancelling shares:
 - (i) that, at the date of the passing of the resolution for cancellation, have not been taken or agreed to be taken by any person; or
 - (ii) that have been forfeited; or
- (g) dividing its shares into several classes and attaching thereto respectively any rights, (including preferred, deferred, qualified or other special rights or privileges) or conditions or restrictions, provided always that where our Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

Subject to the provisions of the Companies Ordinance and any other ordinance from time to time, our Company may by special resolution reduce our share capital in any way.

CERTIFICATE OF TITLE

Every certificate of share, debentures, debenture stock or representing any other form of securities of our Company shall be issued under a seal or under any official seal kept by the Company as permitted under the Companies Ordinance.

Each certificate to which a seal shall be affixed by mechanical means or by way of imprinting of the securities seal thereon shall bear the autographic signature of at least one (1) Director and the Company Secretary or at least two (2) Directors or any one (1) or more other persons authorised for the purpose by the Board, provided that the Board may by resolution determine (either generally or in any particular case or cases) that such signatures shall be dispensed with, or shall be affixed by means of some method or system of mechanical signature.

If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new share certificate representing the same shares may be issued to the holder upon request and upon payment of such sum (if any) not exceeding the maximum amount prescribed by the Stock Exchange from time to time subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) subject to compliance with such conditions as to publication of notice, evidence and indemnity as the Board may think fit and to the payment of any exceptional expenses of the Company incidental to its investigation of the evidence of such alleged loss, theft or destruction.

BUY BACK OF OWN SHARES AND WARRANTS

Our Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to buy back our own shares (including any redeemable shares), or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a buy-back made or to be made by any person of any shares in our Company. Should our Company buy-back our own shares, neither our Company nor the Directors shall be required to select the shares to be bought back rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided that any such buy-back or other acquisition or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time in force.

“Shares” referred to above include shares, warrants and any other securities carrying a right to subscribe for or purchase shares of our Company which are issued from time to time by our Company.

VARIATION OF RIGHTS

Subject to the provisions of the Companies Ordinance, if at any time the capital of our Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated, either with the consent in writing of holders of at least seventy-five per cent. (75%) of the total voting rights of holders of the 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 (but not otherwise), and may be so varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding up.

To every such separate meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, except that:

- (a) the necessary quorum at such meeting (other than an adjourned meeting) shall be two or more persons together holding or representing by proxy at least one-third in the total voting rights of the issued shares of the class in question;
- (b) at any adjourned meeting the necessary quorum shall be one person (or duly authorised representative where the member is a corporation) holding shares of that class or by proxy;
- (c) the holders of the shares of the class or proxies shall, on a poll, have one vote in respect of every share of the class held by them respectively; and
- (d) a poll may be demanded by any one holder of shares of that class whether present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

TRANSFERS OF SHARES

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which the Board may approve. The transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members in respect of the shares. Shares of different classes shall not be comprised in the same instrument of transfer.

The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid or on which our Company has a lien. The Directors may also refuse to register a transfer of a share unless:

- (a) the instrument of transfer is in respect of only one class of share and is properly stamped;
- (b) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four (4);

- (c) subject to the Companies Ordinance and any other ordinance from time to time, the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares; and
- (d) the instrument of transfer is accompanied by payment of such fee, not exceeding the maximum amount prescribed by the Stock Exchange from time to time, as the Board may from time to time require.

If the Board refuse to register a transfer of a share, it shall within two months after the date on which the instrument of transfer was lodged with our Company send to the transferor and transferee notice of the refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, it must within twenty-eight (28) days after receiving the request send the statement of the reasons or register the transfer.

GENERAL MEETINGS

The Board shall convene and our Company shall hold annual general meetings in accordance with the requirements of the Companies Ordinance and other relevant laws from time to time. Subject to such requirements, the Board shall determine the date, time and place at which each annual general meeting shall be held. General meetings include other general meetings of members which are not annual general meetings.

The Board may convene a general meeting whenever it thinks fit. General meetings shall also be convened by the Directors on the requisition of members pursuant to the provisions of the Companies Ordinance or, in default, a meeting may be convened by the requisitionists in accordance with the Companies Ordinance.

NOTICE OF GENERAL MEETINGS

Subject to the Companies Ordinance, an annual general meeting shall be called by notice in writing of at least 21 clear days (or such longer period as may be required by the Listing Rules), and a general meeting other than an annual general meeting shall be called by notice in writing of at least 14 clear days (or such longer period as may be required by the Listing Rules), shall be given in the manner mentioned in the Articles to such persons as are, under the Articles, entitled to receive such notices from our Company.

The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.

The notice shall specify the place, the day and the time of meeting and the general nature to be dealt with and the resolutions to be considered at the meeting. If the meeting is to be held in two or more place, the notice of meeting shall specify the principal place of the meeting and the other place of the meeting.

The Board shall comply with the Companies Ordinance and the Listing Rules from time to time regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of our Company. Every notice of meeting shall also state with reasonable prominence that a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member. Every notice of meeting shall also state the place where instruments of proxy are to be deposited if the Board shall have determined such place to be other than at the Office.

The accidental omission to give such notice of a general meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send an instrument of proxy to, or the non-receipt of either or both by, any person entitled to receive such notice shall not invalidate any resolution passed or proceeding had at that meeting.

Subject to compliance with any provisions of the Companies Ordinance, notwithstanding that a meeting of our Company is convened by shorter notice than that specified in the Article, it shall be deemed to have been duly convened if it is so agreed:

- (a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and
- (b) in the case of any other general meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing at least ninety-five per cent. (95%) of the total voting rights at the meeting of all the members.

VOTING AT GENERAL MEETINGS

Subject to the Listing Rules from time to time, at every general meeting a resolution put to the vote of the meeting (before or upon after the declaration of the result of the show of hands) unless (before or upon the declaration of the result of show of hands) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) at least five (5) members present in person or (being a corporation) by its duly authorised representative or by proxy having the right to vote on the resolution; or
- (c) a member or members present in person or (being a corporation) by its duly authorised representative or by proxy representing in aggregate at least five per cent. (5%) of the total voting rights of all the members having the right to attend and vote at the meeting, and a demand for a poll by a person or as duly authorised representative (on behalf of a corporation) or as proxy for a member shall be as valid as if the demand were made by the member himself.

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any shares of our Company:

- (a) on a show of hands, every member who (being an individual) is present in person or (being a corporation) by a duly authorised representative or by proxy, shall have one vote;
- (b) on a poll, every member who (being an individual) is present in person or (being a corporation) by a duly authorised representative or by proxy, shall have one vote for every share of which he is the holder; and
- (c) if a member appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands.

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Any corporation which is a shareholder of our Company may, by resolution of its board or other governing body, authorise such person to act as its representative at any general meeting or meeting of the holders of shares of any class of our Company; and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual shareholder.

Where a member is a recognised clearing house (within the meaning of the SFO) or its nominee, it may authorise any number of person or persons as it thinks fit to act as its proxy (or proxies) or representative (or representatives) at any general meeting of our Company or any separate meeting of any class of members of our Company provided that, if more than one person is so authorised, the instrument of proxy or authorisation must specify the number and class of shares in respect of which each such person is so authorised. Notwithstanding anything contained in the Articles, each person so authorised, and any instrument of proxy or authorisation signed by any officer of the recognised clearing house, shall be deemed to have been duly authorised without further evidence of the facts. The person so authorised will be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) as if such person was the registered holder of the shares of our Company held by that recognised clearing house (or its nominee), including the right to vote individually on a show of hands or on a poll and to demand or concur in demanding a poll.

APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS

Subject to the Articles, our Company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. No person (other than a Director retiring in accordance with the Articles) shall be so appointed or re-appointed a Director at any general meeting unless he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the

meeting, and such notice of nomination shall be given to the Company Secretary at the office of our Company during a period of not less than seven (7) days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than seven (7) days prior to the date fixed for such meeting (or such other periods as may be determined and announced by the Board from time to time) and the notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed.

The Board may, at any time, and from time to time, appoint any person to be a Director, either to fill a casual vacancy or by way of addition to their number. Any Director so appointed by the Board (except that the person appointed to fill a casual vacancy shall hold office only until the next general meeting) shall hold office only until the next following annual general meeting of our Company, and shall then be eligible for reappointment.

At the annual general meeting in each year, one-third (1/3) of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but greater than one-third (1/3)) shall retire from office. Subject to the provisions of the Companies Ordinance and of the Articles and until otherwise determined by our Company by ordinary resolution, the Directors to retire in every year shall be the Directors who have been longest in office since their last election or appointment. As between Directors of equal seniority, the Directors to retire shall be selected from among them by lot. Every director, including those appointed for a specific term, shall subject to retirement at least once every three (3) years.

A retiring Director shall (unless he is removed from office or his office is vacated in accordance with the Articles) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-elect him is put to the meeting and lost. A retiring Director shall be eligible for reappointment.

Notwithstanding the Articles or any agreements entered into between our Company and the Directors may provide otherwise, a Director shall vacate his office even before the expiration of his term:

- (a) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or he becomes prohibited from being a Director by reason of any order made under any provision of any law, including but not limited to the Companies Ordinance, or the CWUMPO, or has been publicly reprimanded by the Stock Exchange or discharged of his responsibilities as a Director of a listed company under Listing Rules; or
- (b) if he becomes bankrupt or a receiving order is made against him or makes any arrangement or composition with his creditors generally; or

- (c) if he is, or may be, suffering from mental disorder and an order is made by a court claiming jurisdiction in that behalf (whether in Hong Kong or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person by whatever name called to exercise powers with respect to his property or affairs; or
- (d) if for more than six (6) consecutive months both he and any alternate director appointed by him are absent, without special leave of absence from the Board, from meetings of the Board held during that period, and the Board resolves that his office be vacated; or
- (e) if he gives to our Company notice of his wish to resign, in which event he shall vacate office on the service of such notice to our Company or such later time as is specified in such notice; or
- (f) if he is removed by ordinary resolution of our Company in accordance with the Companies Ordinance or in the manner under the Articles; or
- (g) if he is removed from office by notice in writing served upon him signed by all his co-Directors.

If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee appointed by the Board.

QUALIFICATION OF DIRECTORS

A Director needs not be a member of our Company.

BORROWING POWERS

The Board may exercise all the powers of our Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and assets (both present and future) and uncalled capital, or any part thereof, and (subject, to the extent applicable, to the provisions of the Companies Ordinance) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

DIRECTORS' REMUNERATION AND EXPENSES

Each of the Directors shall be entitled to be paid by our Company such remuneration as may be proposed by the Board and determined by our Company in general meeting. Such provision shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Director's fees. The Directors shall also be paid out of the funds of our Company all their travelling, hotel and other expenses reasonably and properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from meetings of the Board, or committee meetings, or general meetings (subject always to the provisions of any agreement between our Company and any Director).

DIRECTORS' INTERESTS

Subject to the Companies Ordinance and other relevant laws from time to time, no Director or intending Director shall be disqualified by his office from entering into any contract with our Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of our Company or as vendor, purchaser or otherwise, nor (subject to the interest of the Director being duly declared) shall any contract or arrangement entered into by or on behalf of our Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so interested be liable to account to our Company for any benefit resulting from the contract by reason of such Director holding that office or of the fiduciary relationship established by his holding that office.

A Director or any of his connected entity (as defined in the Companies Ordinance) or associate is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement (or a proposed transaction, contract or arrangement) with our Company that is significant in relation to our Company's business shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the transaction, contract or arrangement is first taken into consideration or in any other case by notice in writing and sent to other Directors, or by general notice sent to the Board or our Company, in each case in accordance with the Companies Ordinance. Subject to the Companies Ordinance, a general notice by a Director for this purpose is a notice to the effect that:

- (a) the Director (or his connected entity or associate) has an interest as a member, officer, employee or otherwise in a body corporate or firm specified in the notice (including any connected entity or associate of the Director that is a body corporate or firm) and the Director is to be regarded as interested in any transaction, contract or arrangement which may after the effective date of the notice be entered into with that specified body corporate or firm; or
- (b) the Director (or his connected entity or associate) is connected with a person specified in the notice (other than a body corporate or firm) (including any connected entity or associate of the Director who is not a body corporate or firm) and the Director is to be regarded as interested in any transaction, contract or arrangement which may after the effective date of the notice be entered into with that specified person,

which shall be deemed to be a sufficient declaration of interest in relation to any such transaction, contract or arrangement provided that:

- (i) such notice must state the nature and extent of the interest of the Director (or his connected entity or associate) in the specified body corporate or firm; or the nature of the Director's (or his connected entity's or associate's) connection with the specified person; and
- (ii) such notice must be given at a Board meeting (or the Director takes reasonable steps to ensure that it is brought up and read at the next Board meeting after it is given) in which case it shall take effect on the date of the meeting of the Board

or the next Board meeting (as the case may be); or in writing and sent to our Company in which case it shall take effect on the twenty-first (21st) day after the day of which it is sent, and the other Directors within fifteen (15) days after the day it receives that notice.

A Director is not required to make a declaration of interest required by the Article if he is not aware of the interest in the transaction, contract or arrangement in question or otherwise in accordance with the Companies Ordinance. For this purpose, a Director is treated as being aware of matters of which he ought reasonably to be aware.

A Director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with our Company or any other company in which our Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two (2) or more Directors to offices or places of profit with our Company or any other company in which our Company is interested, those proposals may be divided and a separate resolution may be put in relation to each Director and in that case each of the Directors concerned (if not otherwise debarred from voting under the Article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

Subject to the Listing Rules and save as otherwise provided by the Articles, a Director shall also not vote (or be counted in the quorum at a meeting) on any resolution approving any transaction, contract or arrangement in which he or any of his close associates (and if required by the Listing Rules, his other associate(s)) is materially interested, but this prohibition shall not apply to any of the following matters:

- (a) any transaction, contract or arrangement for the giving by our Company to such Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (b) any transaction, contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any transaction, contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (d) any proposal concerning any other company in which the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) (and other associate(s), as the case may be) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates (and other associate(s), as the case may be) are not in aggregate beneficially interested in five per cent. (5%) or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:
 - (I) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme of our Company or its subsidiaries under which the Director or his close associate(s) (and if required by the Listing Rules, his other associate(s)) may benefit;
 - (II) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their close associate(s)(if required by the Listing Rules, their other associate(s)) and employees of our Company or any of its subsidiaries and does not provide in respect of any Director, or his close associates(s)(and other associate(s), as the case may be), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or
- (f) any transaction, contract or arrangement in which the Director or his close associate(s) (if required by the Listing Rules, their other associate(s)) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

DIVIDENDS

Subject to the provisions of the Companies Ordinance, our Company may, from time to time, by ordinary resolution, declare a dividend to be paid to the members, according to their respective right and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of the Articles as paid up on the share.

The Board may pay such interim dividends as appear to the Board to be justified by the financial position of our Company and may also pay dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of our Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, none of the Directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

The Board may, with the authority of an ordinary resolution of our Company, offer any holders of shares the right to elect to receive further shares, credited as fully paid, instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution (a scrip dividend) in accordance with the following provisions of the Article. The ordinary resolution may specify a particular dividend (whether or not already declared) or may specify all or any dividends declared within a specified period.

With the authority of an ordinary resolution of our Company and on the recommendation of the Board payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid-up shares or debentures of any other company. Where any difficulty arises with the distribution, the Board may settle the difficulty as it thinks fit and, in particular, may issue fractional certificates (or ignore fractions), fix the value for distribution of the specific assets or any part of them, determine that cash payments be made to any members on the basis of the value so fixed in order to secure equality of distribution and vest any of the specific assets in trustees on such trusts for the persons entitled to the dividend as the Board may think fit.

All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the Board for the benefit of our Company until claimed. Any dividend unclaimed after a period of six (6) years from the date it became due for payment shall be forfeited and shall revert to our Company. The payment of any unclaimed dividend, interest or other sum payable by our Company on or in respect of any share into a separate account shall not constitute our Company a trustee in respect of it.

INDEMNITY

To the extent permitted by the Companies Ordinance,

- (a) our Company may indemnify every Director, Company Secretary, other officer of our Company or any person employed by our Company as auditor against any liability incurred by him in the execution and discharge of his duties or in relation thereto, including:
 - (i) in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted; or
 - (ii) in connection with any application for relief from liability under the Companies Ordinance in which relief is granted to him by the court; and

- (b) our Company may purchase and maintain for any Director, Company Secretary, other officer of our Company or any person employed by our Company as auditor:
 - (i) insurance against any liability to our Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to our Company or an associated company; and
 - (ii) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to our Company or a related company.

Any permitted indemnity provision under Section 469 of the Companies Ordinance is subject to disclosure in the relevant Directors' report in accordance with Section 470 of the Companies Ordinance, and our Company shall keep in its registered office a copy, or document setting out the terms, of such permitted indemnity provision in accordance with Section 471 of the Companies Ordinance, which shall be made available for inspection by any member subject to Section 472 of the Companies Ordinance.

WINDING UP

If our Company is in liquidation, the liquidator (whether voluntary or official) may, with the sanction of a special resolution of our Company or any other sanction required by law:

- (a) divide among the members in specie the whole or any part of the assets of our Company and for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; or
- (b) vest the whole or any part of the assets of our Company in trustees upon such trusts for the benefit of the members or any of them as the liquidator, with the like sanction, shall think fit but no member shall be compelled to accept any asset upon which there is any liability.

UNTRACEABLE SHAREHOLDERS

Without prejudice to the rights of our Company and in accordance with the Listing Rules, our Company may cease to send any cheque or warrant by post for any dividend payable on any shares in our Company which is normally paid in that manner on those shares if in respect of at least two (2) consecutive dividends payable on those shares the cheques or warrants have been left uncashed or after the first occasion when the cheques or warrants have been returned undelivered but, subject to the provisions of the Articles, shall recommence sending cheques or warrants in respect of dividends payable on those shares if the holder or person entitled by transmission to it claims the arrears of dividend and does not instruct our Company to pay future dividends in some other way.

Our Company may sell any share of a member, or any share to which a person is entitled by transmission, by instructing an Exchange Participant of the Stock Exchange to sell at the best available price at the time if:

- (a) during a period of twelve (12) years at least three (3) dividends or other distributions have become payable in respect of the share to be sold and have been sent by our Company in accordance with the Companies Ordinance;
- (b) during that period of twelve (12) years no dividend or other distributions payable in respect of the share has been claimed, no cheque, warrant, order or other payment for a dividend has been cashed, no dividend sent by means of a funds transfer system has been paid and no communication has been received by our Company from the member or the person entitled by transmission to the share;
- (c) on or after the expiry of that period of twelve (12) years our Company has published advertisements in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong giving notice of its intention to sell the share;
- (d) during the period of three (3) months following the publication of those advertisements or of the first of the advertisements if they are published on different dates, our Company has not received any communication from the member or the person entitled by transmission to the share; and
- (e) our Company has given notice to the Stock Exchange of its intention to sell the share.

To give effect to any sale, the Board may authorise some person to transfer the share to, or as directed by, the purchaser, who shall not be bound to see to the application of the purchase money; nor shall the title of the new holder to the share be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

ACCOUNTS

Subject to the Articles, a copy of (a) the reporting documents or (b) the summary financial report shall, not less than twenty-one (21) days before the general meeting, be delivered or sent by post to the registered address of every member of the Company or, in the case of a joint holding, to that member whose name stands first in the Register in respect of the joint holding. No accidental non-compliance with the provisions of the Article shall invalidate the proceedings at the meeting.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in Hong Kong as a private company with limited liability under the Predecessor Companies Ordinance on 27 June 2012. Our Company's registered office and principal place of business in Hong Kong is situated at Units 1206-7, 12th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong. On 8 January 2018, our Company was converted to a public company with limited liability by a written resolution of the sole Shareholder passed on 8 January 2018.

As our Company was incorporated in Hong Kong, our corporate structure and operation is subject to the laws of Hong Kong and our constitutive documents which comprise the Articles of Association. A summary of certain parts of our constitution is set out in the section entitled "Summary of Articles of Association" in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of our incorporation, the authorised share capital of our Company was HK\$10,000 divided into 1,000,000 Shares with a par value of HK\$0.01 each. With effect from 3 March 2014, following the Companies Ordinance becoming effective, provisions in our Articles of Association concerning (among other matters) the authorised share capital and par value of Shares were abolished.

The following sets out the changes in our Company's share capital since the date of our incorporation:

- (a) pursuant to the written resolutions of our sole Shareholder passed on 21 February 2013, the authorised share capital of our Company was increased from HK\$10,000 to HK\$1,000,000,000, by the creation of an additional 99,999,000,000 Shares;
- (b) on 21 February 2013, our Company allotted and issued 99 Shares to Ulferts Holdings in return for the settlement by Ulferts Holdings of the consideration for the acquisition by our Company of the entire issued share capital of Ulferts Investment; and
- (c) pursuant to the written resolutions of the sole Shareholder passed on 3 July 2017, each existing share in the capital of our Company has been subdivided into 6,000,000 Shares. The total number of issued Shares then become 600,000,000 Shares.

Save as aforesaid, there has not been any alteration in the share capital of our Company since the date of incorporation up to the date of this prospectus.

Assuming the Share Offer becomes unconditional and the issue of Shares is made pursuant thereto, the share capital of our Company immediately following the completion of the Share Offer will comprise 800,000,000 Shares.

3. Written resolutions of the sole Shareholder passed on 8 January 2018

By resolutions in writing passed by the sole Shareholder on 8 January 2018, conditional on all the conditions set out in “Structure and Conditions of the Share Offer” in this prospectus being fulfilled the following resolutions, among others, were duly approved:

- (a) the Articles of Association were approved and adopted with effect from the Listing Date;
- (b) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;
- (c) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options (the “**Options**”) to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of Options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (d) a general mandate (the “**Issuing Mandate**”) was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any Options which may be granted under the Share Option Scheme or under the Share Offer, Shares with an aggregate number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer; and (bb) the number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (e) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Ordinance or any other applicable laws to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;
- (e) a general mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this

purpose, with an aggregate number not exceeding 10% of the total number of Shares in issue immediately following completion of the Share Offer until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Companies Ordinance, or any other applicable laws to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

- (f) the extension of the Issuing Mandate pursuant to paragraph (d) above to include the number of Shares which may be purchased under the Repurchase Mandate pursuant to paragraph (e) above.

4. Changes in share capital of subsidiaries

Our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save for the issue and allotment of 999,999 ordinary shares at the price of HK\$1.00 each by Mightly Wish to Ulferts Investment, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Repurchases of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our Shares.

(a) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit shareholders to grant a general mandate to the directors of a company to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting.

(b) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

On 8 January 2018, our Directors were granted the Repurchase Mandate to repurchase up to 10% of the aggregate number of Shares in issue immediately following the Share Offer on the Stock Exchange which our securities may be listed. The mandate will expire at the earliest of (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 the Articles

of Association, the Companies Ordinance or any other applicable laws to be held, or (iii) such mandate being revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting.

(c) Source of Funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and applicable laws and regulations of Hong Kong and any other laws and regulations applicable to our Company. A listed company may not repurchase 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. Subject to the foregoing, any repurchases by us may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase.

(d) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(e) Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a “core connected person” (as defined in the Listing Rules) and a core connected person may not knowingly sell his securities to our Company on the Stock Exchange.

(f) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(g) Trading restrictions

Our Company may repurchase up to 10% of the total number of Shares in issue (excluding any Shares which may be issued upon exercise of any Options that may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed new issue of the Shares for a period of 30 days immediately following a repurchase of Shares (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase)

without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

(h) Suspension of repurchase

Share repurchases are prohibited after inside information has come to the Company's knowledge until such time as the information has been made publicly available. In addition, the Stock Exchange reserves the right to prohibit repurchases of our Shares on the Stock Exchange if our Company has breached the Listing Rules.

(i) Reporting requirements

Repurchases of our Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of our Shares made during the financial year under review, showing the number of our Shares repurchased each month and the purchase price per Share or the highest and lowest price paid for all such repurchases (where relevant), and the aggregate prices paid for such repurchases.

(j) General

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the Listing (assuming that any Options that may be granted under the Share Option Scheme are not exercised at all), would result in up to 80,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force. None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and other applicable laws of Hong Kong, the Articles of Association and the Companies Ordinance. If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as

aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by our Group within two years immediately preceding the date of this prospectus:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-Competition; and
- (c) the Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

Trademarks registered in the name of our Group members

As at the Latest Practicable Date, our Group members were the registered owner of the following trademarks which were registered in the following jurisdictions:

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
	Ulferts Far East	Hong Kong	20	19903956	09/06/2020

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
	Ulferts Far East	Hong Kong	20	199204055	18/10/2021
	Ulferts Far East	China	20	273790	29/12/2026
	Ulferts Far East	China	24	274788	09/01/2027
	Ulferts Far East	China	20	274781	09/01/2027
Ulferts 歐化傢俬	Ulferts Far East	Hong Kong	20	300189117	01/04/2024
Ulferts 歐化傢俬	Ulferts Far East	China	20	4128725	06/06/2027
Ulferts 歐化傢俬	Ulferts Far East	China	24	4128724	20/03/2018
Ulferts 歐化傢俬	Ulferts Far East	Macau	20	N/016538	07/07/2019
Ulferts 歐化傢俬	Ulferts Far East	Macau	35	N/016539	07/07/2019
Ulfenbo 歐化寶	Ulferts Far East	Hong Kong	20	300189126	01/04/2024
Ulfenbo 歐化寶	Ulferts Far East	China	20	4128722	06/04/2027
Ulfenbo 歐化寶	Ulferts Far East	China	24	4128723	20/05/2018
Ulfenbo 歐化寶	Ulferts Far East	Macau	20	N/016540	07/07/2019
Ulfenbo 歐化寶	Ulferts Far East	Macau	35	N/016541	07/07/2019
	Ulferts Far East	Hong Kong	20	19822716	18/03/2027
@HOME 自我家	Ulferts Far East	Macau	20	N/016543	07/07/2019

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
@HOME 自我家	Ulferts Far East	Macau	35	N/016542	07/07/2019
	Ulferts Far East	Hong Kong	20	300628290	26/04/2026
	Ulferts Far East	China	20	5497533	20/09/2023
Smart Kid	Ulferts Far East	Hong Kong	20	301431512	17/09/2019
小飛人	Ulferts Far East	Hong Kong	20	301431521	17/09/2019
一線牽	Ulferts Far East	Hong Kong	20	301431530	17/09/2019
Ulferts	Ulferts Far East	China	20	10950332	13/09/2023
Ulferts	Ulferts Far East	China	24	10950323	13/09/2023
Ulferts	Ulferts Far East	China	27	10950324	13/09/2023
Ulferts	Ulferts Far East	China	37	10950325	13/09/2023
Ulferts	Ulferts Far East	China	21	10950331	13/09/2023
Ulferts	Ulferts Far East	China	16	10950333	13/09/2023
Ulferts	Ulferts Far East	China	11	10950334	13/09/2023
Ulferts	Ulferts Far East	China	40	10950335	13/09/2023
Ulferts	Ulferts Far East	China	42	10950336	13/09/2023
Ulferts	Ulferts Far East	Macau	20	N/068000	29/08/2020
歐化	Ulferts Far East	China	11	10950337	20/11/2023
歐化	Ulferts Far East	China	42	10950338	13/09/2023
歐化	Ulferts Far East	China	40	10950339	13/09/2023
歐化	Ulferts Far East	China	16	10950340	13/09/2023

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
歐化	Ulferts Far East	China	20	10950341	27/03/2024
歐化	Ulferts Far East	China	21	10950342	13/09/2023
歐化	Ulferts Far East	China	24	10950343	27/03/2024
歐化	Ulferts Far East	China	27	10950344	13/09/2023
歐化	Ulferts Far East	China	37	10950345	13/09/2023
Ulfenbo	Ulferts Far East	China	35	10950346	13/09/2023
Ulfenbo	Ulferts Far East	China	24	10950347	13/09/2023
Ulfenbo	Ulferts Far East	China	20	10950348	13/09/2023
Ulfenbo	Ulferts Far East	China	16	10950349	13/09/2023
歐化寶	Ulferts Far East	China	35	10950350	13/09/2023
歐化寶	Ulferts Far East	China	24	10950351	13/09/2023
歐化寶	Ulferts Far East	China	20	10950352	13/09/2023
歐化寶	Ulferts Far East	China	16	10950353	13/09/2023
@HOME自我.家	Ulferts Far East	China	11	10950355	20/09/2023
@HOME自我.家	Ulferts Far East	China	16	10950330	20/03/2024
@HOME自我.家	Ulferts Far East	China	20	10950329	20/09/2023
@HOME自我.家	Ulferts Far East	China	21	10950328	13/06/2024
@HOME自我.家	Ulferts Far East	China	24	10950327	20/09/2023
@HOME自我.家	Ulferts Far East	China	27	10950358	20/09/2023
@HOME自我.家	Ulferts Far East	China	35	10950357	20/09/2023
@HOME自我.家	Ulferts Far East	China	37	10950356	13/10/2023
@HOME自我.家	Ulferts Far East	China	40	10950354	13/09/2023
@HOME自我.家	Ulferts Far East	China	42	10950326	27/12/2023
Emperor Ulferts	Ulferts Far East	China	35	11320628	06/01/2024
英皇歐化	Ulferts Far East	China	35	11320629	06/01/2024
^A @HOME	Ulferts Far East	Hong Kong	35	302280005	10/06/2022
^B @Home					
^C @home					
^A 歐化寶	Ulferts Far East	Hong Kong	35	302280014	10/06/2022
^B 欧化宝					
自我家	Ulferts Far East	Hong Kong	35	302280023AA	10/06/2022
自我.家	Ulferts Far East	Hong Kong	35	302280023AB	10/06/2022

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
^A ULFENBO ^B Ulfenbo ^C ulfenbo	Ulferts Far East	Hong Kong	35	302280041	10/06/2022
^A 歐化 ^B 欧化	Ulferts Far East	Hong Kong	35	302280050	10/06/2022
^A ULFERTS ^B Ulferts ^C ulferts	Ulferts Far East	Hong Kong	35	302280069	10/06/2022
^A DORMIRE 多眠樂 ^B 多眠乐 Dormire ^C 多 dormire 眠乐 ^D 多 眠 Dormire 樂	Ulferts Far East	Hong Kong	35	302394720	02/10/2022
雅豪	Ulferts Far East	Hong Kong	20, 35	303162726	12/10/2024
^A Eurodecor ^B EURODECOR ^C eurodecor	Ulferts Far East	Hong Kong	20, 35	303162717	12/10/2024
^U ³	Ulferts Far East	Hong Kong	16, 20, 21, 35	302760372	08/10/2023

Trademarks pending registration

As at the Latest Practicable Date, our Group has applied for the following trademarks:

Trademark	Applicant(s)	Place of Application	Class	Application Number	Application Date
^(A) 	Ulferts Far East	Hong Kong	20, 35	304179943	21/06/2017
^(B) 					
^(C) 					
^(A) Ulferts 歐化 傢俬	Ulferts Far East	Hong Kong	20, 35	304179952	21/06/2017
^(B) Ulferts 歐化 傢俬					
^(C) 					

Classes of trademarks registered or pending registration

The products and/or services under the respective classes above for trademark applications and registrations in Hong Kong generally include, among others:

Class 20 – Furniture, mattresses and beddings, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials

Class 35 – Advertising; business management; business administration; office functions; retail services for furniture and furnishings (including via electronic media and via the Internet); publicity and advertising services (including via electronic media and via the Internet); management and consultation of business; business advice relating to marketing, business research and analysis relating to marketing; presentation of goods, in particular shop and shop window dressing; procurement of goods on behalf of a business; personnel management services all relating to purchase and sale of furniture, furnishings, articles for interior decoration and home, household products and kitchen utensils and home; computerised business information storage and retrieval; computerised data-base management; provision of information on sales and marketing of personal property; information and marketing on sales of personal property, distribution of advertisements and publicity material, television commercials activities, distribution of samples, provision of business information, radio advertising, public relations; organisation of exhibitions for commercial and advertising purposes

The products and/or services under the respective classes above for trademark applications and registrations in China generally include, among others:

Class 11 – Lighting apparatus and installations; cooking apparatus and installations; refrigerating appliances and installations; sanitary device and equipment; water purifying device; hair dryer; fan; heating installations; water distribution equipment; non-medical use electric blankets

- Class 16 – Coasters of paper; goods made from paper; printed matter; printed publications, pictures, paper bags or plastic bags for packaging (envelopes, little bags), office utilities (except furniture), model materials, drawing boards, blackboards
- Class 20 – Furniture, mattresses, non-metal fittings for furniture, pillows, mattress (except linen products), mirrors (looking mirrors), picture frames, bamboo handicrafts, wood, wax, plaster or plastic art figures, indoor blinds (furniture)
- Class 21 – Housewares, porcelain decorations, bathroom utensils, un-worked or semi-worked glass (except glass used in building), combs, toothbrushes, cosmetic utensils, insulated container, manual cleaning appliances, water tank (indoor aquaria)
- Class 24 – Bed linens, bed sheets and pillowcases, fabrics, textile wall hangings, bathroom linens (except clothing), textile towels, household coverings, textiles or plastic curtains, textiles toilet seat cover, washing gloves
- Class 27 – Carpets, mats, floor coverings, non-slip mats, wallpapers, non-textile system tapestry, floor mats, textile wallpapers, automotive carpets, carpet underlay
- Class 35 – Franchise business management; import and export agencies; advertisement; promotion for others; purchase for others (purchase goods or services for other enterprises); marketing; business management consulting; market research; organisation of exhibitions for commercial or advertising purposes; business information
- Class 37 – Repair of indoor decoration; wallpaper pasting; indoor decoration; interior and exterior painting; installation and repair of lighting equipment; furniture maintenance furniture repair; furniture manufacturing (repair); woodwork service; paint shop services
- Class 40 – Assembly of customised materials (for others); woodworking; glazing coloring treatment (coating); leather ware finishing; printing; applying finishes to textiles; metal treatment; pottery firing; air purification; framing of artistry
- Class 42 – Indoor decoration design; research and development (for others); quality control; textile testing; package design; computer software design; computer hardware design and development consulting; appraisal of artistry; design of carving and printing arts of books and drawings; costume design

The products and/or services under the respective classes above for trademark applications and registrations in Macau generally include, among others:

- Class 20 – Furniture, spring mattress and bedding (non-linen)
- Class 35 – Wholesale and retail furniture, spring mattress and bedding (non-linen)

(b) Domain Names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names or Internet keywords:

Domain Name/Internet Keyword	Registrant	Expiry Date
ulferts.com.hk	Ulferts Far East	24/09/2021
ulfenbo.com	Ulferts Far East	26/08/2020
歐化寶.com	Ulferts Far East	28/04/2026
歐化傢俬.com	Ulferts Far East	28/04/2026
ulferts.com.cn	Ulferts Far East	13/09/2025
ulferts.net.cn	Ulferts Far East	13/09/2025
ulferts.org.cn	Ulferts Far East	13/09/2025
ulferts.hk	Ulferts Far East	09/09/2020
e-ulferts.com.hk	Ulferts Far East	20/11/2018
ucube.com.hk	Ulferts Far East	16/08/2018
ulfenbo.com.hk	Ulferts Far East	18/03/2020
ulfenbo.hk	Ulferts Far East	18/03/2020
eurodecor.com.hk	Eurodecor Holdings	N/A
athome.com.hk	Ulferts Far East	24/08/2020
ulfertsintl.com	Ulferts Far East	22/12/2018
ulfertsintl.hk	Ulferts Far East	22/12/2018

Save as aforesaid, there are no other trademarks, service intellectual or industrial property rights which are material in Group's business.

3. Connected transactions and related party transactions

Save as disclosed in the section headed "Connected Transactions" in this prospectus and in note 27 to our consolidated financial statements included in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the three years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

A. Disclosures of interest of Directors and Chief Executives

As at the Latest Practicable Date, the following Director of our Company has the following interest 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 interest 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 Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are listed.

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of issued shares	Approximate % holding
Ms. Fan Man Seung, Vanessa	Emperor International	Beneficial Owner	10,500,000	0.29

B. Disclosure of interests of Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer, the following persons (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or are directly and/or indirectly interested in 10% or more of the issued voting shares of any members of our Group:

Name	Capacity/Nature of Interests	Number of Shares or Underlying Shares (Note 1)	Percentage of shareholding interests
Ulferts Holdings	Legal/beneficial owner	600,000,000 L	75%
AY Holdings	Interest in controlled corporation (Note 2)	600,000,000 L	75%
STC International	Trustee (Note 3)	600,000,000 L	75%
Dr. Albert Yeung	Settlor of a discretionary trust (Note 3)	600,000,000 L	75%
Ms. Luk	Interests of spouse (Note 4)	600,000,000 L	75%

Notes:

1. The letter “L” denotes to the person with long position in the Shares.
2. The entire issued share capital of Ulferts Holdings is held by AY Holdings, which in turn is held by STC International as trustee of AY Discretionary Trust. AY Holdings is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings.
3. STC International and Dr. Albert Yeung are the trustee and settlor of the AY Discretionary Trust respectively. By virtue of the SFO, each of STC International and Dr. Yeung is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings.
4. Ms. Luk is deemed to be interested in the 600,000,000 Shares held by Ulferts Holdings by virtue of the deemed interest held by her spouse, Dr. Albert Yeung.

Except as disclosed above, the Directors are not aware of any person (who is not a Director or a chief executive of our Company) who will, immediately following the allotment of the Offer Shares and without taking into account the Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Particulars of services agreements and letters of appointment

(a) Executive Directors

Each of the executive Directors has entered into a service agreement with our Company, pursuant to which each of them accepts that, for a specific term of three years from the Listing Date, their respective appointment as an executive Director shall be governed by the terms and conditions set out therein. The agreement may be terminated by, among others, serving not less than three months' prior notice in writing by either party on the other, and upon such termination, the executive Director shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association and Appendix 14 of the Listing Rules.

Each of the executive Directors is entitled to a fixed director's fee on top of their respective basic salaries, if any, entitled under their service agreements. For further details, please refer to the paragraph headed “Compensation of Directors and senior management” in the section headed “Directors, senior management and employees” in this prospectus.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with our Company on 8 January 2018, pursuant to which each of them accepts that their respective appointment as an independent non-executive Director for an initial term of three years from the date of appointment, unless terminated by notice in writing served by either party, that (as the case may be) shall be governed by the terms and conditions set out therein. In case of such termination by notice, the independent non-executive Director (as the case may be) shall cease to hold such offices in the Company. Under their respective letters of appointment, each of the independent non-executive Directors is entitled to a fixed director's fee. For further details, please refer to the paragraph headed "Compensation of Directors and senior management" in the section headed "Directors, senior management and employees" in this prospectus.

The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and Appendix 14 to the Listing Rules.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service agreements 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)).

3. Directors' remuneration

For details of our Directors' remuneration during the Track Record Period, please refer to the section headed "Directors, senior management and employees" in this prospectus.

Under the service agreements entered into between our Company and our executive Directors and the letters of appointment entered into between the Company and the independent non-executive Directors, the aggregate remuneration and benefits in kind our Directors will be entitled to receive for the financial year ending 31 March 2018 is expected to be approximately HK\$240,000.

Save as disclosed in Appendix I to this prospectus, no Director received any remuneration or benefits in kind from our Group for the financial year ended 31 March 2017.

No emoluments were paid to Directors of our Group or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office.

4. Disclaimers

Save as disclosed in this prospectus:

- (i) none of the Directors nor any of the parties listed in the paragraph headed “Consents of experts” of this Appendix was interested in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this prospectus, acquired by or disposed of or leased to the Company or any of its subsidiaries, or were proposed to be acquired by or disposed of or leased to the Company or any of its subsidiaries;
- (ii) none of the Directors nor any of the parties listed in the paragraph headed “Consents of experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the Company’s business;
- (iii) none of the parties listed in the paragraph headed “Consents of experts” of this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (iv) so far as is known to the Directors, none of the Directors nor their associates nor any Shareholder which to the knowledge of the Directors held more than 5% of the total issued Shares as at the Latest Practicable Date had any interest in any of the top five customers or the top five suppliers of our Group;
- (v) none of the 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;
- (vi) none of the Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group; and
- (vii) none of the Directors had entered into or was proposing to enter into a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolution of the sole Shareholder passed on 8 January 2018:

(a) Purpose

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined in paragraph (c) below) to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the Participants to perform their best in achieving the goals of our Group and allow the Participants to enjoy the results of our Company attained through their efforts and contributions.

(b) Conditions

The Share Option Scheme is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange; and
- (iii) the passing of an ordinary resolution by the sole Shareholder to adopt the Share Option Scheme at general meeting.

(c) Scope of Participants and eligibility of Participants

The Board may, at its discretion, invite:

- (i) any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of our Group;
- (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group;
- (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group;
- (iv) any provider of goods and/or services to our Group; or
- (v) any other person who the Board considers, in its sole discretion, has contributed or may contribute to our Group to take up Options (each a **“Participant”**).

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

(d) Acceptance of offer

Offer of an Option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

(e) Subscription price

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted; and (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date on which an Option is granted. For the purpose of determining the subscription price where the Company has been listed for less than five Business Days, the Offer Price shall be used as the closing price for any Business Day falling within the period before Listing.

(f) Maximum number of Shares available for subscription

- (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 80,000,000 Shares, being 10% of the total number of Shares in issue as at the date of commencement of dealings in the Shares on the Stock Exchange, unless our Company obtains an approval from its shareholders pursuant to (ii) below.
- (ii) Subject to (iv) below, our Company may seek approval from its shareholders in general meeting for refreshing the 10% limit set out in (i) above such that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed shall not exceed 10% of the total number of the Shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to (iv) below, our Company may seek separate approval from its shareholders in general meeting for granting Options to specified Participants beyond the 10% limit provided that the Options granted in excess of such limit are specially approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval

is sought. In such case, our Company shall send a circular to its Shareholders containing the information required under the Listing Rules for their approval.

- (iv) Notwithstanding any other provisions of the Share Option Scheme, the maximum number of Shares in respect of which Options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such limit being exceeded.

(g) Conditions, restrictions or limitations on offers of Options

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the Option, there are neither any performance targets that need to be achieved by the grantee before an Option could be exercised nor any minimum period for which an Option must be held before the Option can be exercised. Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may when making the offer of Options impose any conditions, restrictions or limitations in relation to the Option as it may at its absolute discretion think fit.

(h) Maximum entitlement of Shares of each Participant

- (i) Subject to paragraph (ii) below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Notwithstanding (i) above, any further grant of Options to a Participant in excess of the 1% limit shall be subject to approval by the Shareholders in general meeting with such Participant and his or her associates abstaining from voting. The number and the terms of the Options to be granted to such Participant shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date for grant for the purpose of calculating the subscription price.

(i) Grant of Options to connected persons

- (i) Any grant of Options to a Participant who is a Director, chief executive or substantial Shareholder (as defined under the Listing Rules) of our Company or their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the Participant).

- (ii) Where the Board proposes to grant any Option to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, and such Option which if exercised in full, would result in such Participant becomes entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued and issuable to him or her pursuant to all Options granted and to be granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
- (1) representing in aggregate more than 0.1% of the relevant class of securities of the Company in issue on the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as at the date of such grant, in excess of HK\$5,000,000, such proposed grant of Options must be approved by the Shareholders in general meeting. In such case, our Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. The Participant concerned and all connected persons of our Company must abstain from voting at such general meeting (except where any connected person intends to vote against the relevant resolution provided that such intention to do so has been stated in the circular). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

(j) Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme and such other terms and conditions upon which an Option was granted, at any time during the option period after the Option has been granted by the Board but in any event, not longer than 10 years from the date of grant. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the option period.

(k) Transferability of Options

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any Option.

(l) If a grantee ceased to be a Participant by reason other than death or misconduct

If the grantee ceases to be a Participant for any reason other than on the grantee's death or the termination of the grantee's employment or directorship on one or more of the grounds specified in paragraph (n) below, the grantee may exercise the Option up to his entitlement at the date of cessation (to the extent exercisable as at the date of cessation and not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date

shall be the last actual working day with the relevant company in our Group whether salary is paid in lieu of notice or not, or the last date of appointment as director of the relevant company in our Group, as the case may be, failing which it will lapse.

(m) On the death of a grantee

If the grantee dies before exercising the Option in full and none of the events which would be a ground for termination of the grantee's employment or directorship under paragraph (n) below arises, the personal representative(s) of the grantee shall be entitled to exercise the Option up to the entitlement of such grantee at the date of death (to the extent exercisable as at the date of his death and not already exercised) within a period of 12 months or such longer period as the Board may determine from the date of death, failing which it will lapse.

(n) Termination of employment of a grantee by reason of misconduct

An Option shall lapse automatically (to the extent not already exercised) on the date on which the grantee ceased to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be unable to pay or have no reasonable prospect to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.

(o) Voluntary winding-up of the Company

In the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose 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. Each grantee (or his or her legal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than 4 Business Days prior to the proposed general meeting) exercise the Option (to the extent exercisable as at the date of the notice and not already exercised) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(p) Rights on a general offer or partial offer

If a general or partial offer whether by way of take-over offer, share re-purchase offer, or scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in

full of the options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent exercisable as at the date on which such offer becomes or is declared to be unconditional and not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be. Subject to the above, an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the period referred to above.

(q) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each Shareholder or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the Court provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his or her Options (to the extent exercisable as at the date of the notice and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme.

(r) Rank pari passu

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu with the fully paid Shares in issue as from the date of allotment and in particular will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof is before the date of allotment.

(s) Alteration in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, sub-division, or reduction of share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange, excluding any alteration in the capital structure of

our Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or adviser to our Company or any employee, consultant or adviser to our Group or in the event of any distribution of our Company's legal assets to its Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its Shareholders for each financial year of our Company, such corresponding alterations (if any) shall be made to:

- (i) the number of Shares subject to the Option so far as unexercised; or
- (ii) the subscription price or any combination thereof, as an independent financial adviser or the auditors of our Company shall certify in writing, either generally or as regards any particular grantee, to have, in their opinion, fairly and reasonably satisfied the requirement that any such adjustment shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or the supplemental guidance as may be issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

(t) Duration of the Share Option Scheme

The Share Option Scheme will remain valid and effective for a period of 10 years commencing from the date on which the Share Option Scheme is adopted, after which period no further Options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(u) Cancellation of Options granted

The Board may at any time at its absolute discretion cancel any Option previously granted to, but not exercised by the grantee. Where the Company cancels Options and offers Options to the same grantee, the offer of the grant of such new Options may only be made with available Options to the extent not yet granted (excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph (f) above. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Option is cancelled by the Board as provided above.

(v) Termination of the Share Option Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Options shall remain in full force and effect.

(w) Alteration of provisions of the Share Option Scheme

The provisions of the Share Option Scheme may be altered in any respect by resolution of the Board except that provisions relating to matters set out in Rule 17.03 of the Listing Rules cannot be altered to extend the class of person eligible for the grant of Options or to the advantage of the Participants without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms and conditions of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(x) Restrictions on the time of grant of Options

No offer shall be made after inside information has come to the Company's knowledge until the Company has announced the information and, in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no Option may be granted.

As at the date of this prospectus, no Option has been granted or agreed to be granted under the Share Option Scheme. On the assumption that 800,000,000 Shares are in issue on the date of commencement of dealings in the Shares on the Stock Exchange, the application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Shares on the Stock Exchange includes the 80,000,000 Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION**1. Joint Sponsors**

The Joint Sponsors have made an application on behalf of our Company to 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. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Octal, being one of the Joint Sponsors, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

2. Tax and other indemnities

The Indemnifiers have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters,

- (i) any claim (including claim, counterclaim, any assessment, notice, demand, fine or other form of liability) falling on any member of our Group relating to the non-compliance incidents of any member of our Group on or before the Listing Date; and
- (ii) any taxation (including all fines, penalties, costs, charges, expenses and interests incidental to or relating to taxation) and claims falling on any member of the Group resulting from or by reference to any income, profits, gains earned, accrued or received, or any transactions or events entered into or occurring, on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation or claims are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers will however, not be liable under the Deed of Indemnity for any claim and/or taxation where (a) provision has been made for the tax claims, claims relating to non-compliance incidents and/or taxation in the audited consolidated accounts of our Group or the audited accounts of any member of our Group during the Track Record Period; (b) the tax claims, claims relating to non-compliance incidents and/or taxation arises or is incurred as a result of a retrospective change in law and/or a retrospective increase of tax rates coming into force after the Listing Date; and (c) liability under tax claims and/or taxation which arises as a result of any act or omission of, or transaction voluntarily effected by any member of our Group in the ordinary course of business after 31 August 2017 up to the Listing Date.

Pursuant to The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of our Group.

4. Consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Emperor Capital Limited	Licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Octal Capital Limited	Licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Mr. Chan Chung	Barrister-at-law in Hong Kong
Memfus Wong Surveyors Limited	Independent professional valuer

Each of Emperor Capital Limited, Octal Capital Limited, Ernst & Young, Mr. Chan Chung and Memfus Wong Surveyors Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be), all of which are dated the date of this prospectus and made for incorporation in this prospectus, and the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

5. Promoter

Our 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 transaction described in this prospectus.

6. Preliminary expenses

The amount of preliminary expenses incurred by our Company is approximately HK\$35,000 and has been paid by our Company.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the CWUMPO insofar as applicable.

8. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of its subsidiaries;
 - (iv) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest audited financial statements of our Group were made up);
 - (v) our Group has no outstanding debentures or convertible debt securities;
 - (vi) our Company has not issued or agreed to issue any founder or management or deferred Shares; and
 - (vii) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.

9. Non-statutory financial information

As further detailed in note 1 of Section II of the Accountants' Report set forth in Appendix I to this prospectus, the financial information contained in this prospectus does not constitute the statutory annual financial statements of the Company for any of the financial years ended 31 March 2015, 2016 and 2017.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW, PINK** and **GREEN** application forms; (ii) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus; and (iii) copies of each of the material contracts referred to in the paragraph headed “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 office of David Chan & Carmen Chan, Solicitors at Room 3006, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours from 9:30 a.m. to 4:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

1. the Articles of Association;
2. the accountants’ report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
3. the letter report on unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
4. the rules of the Share Option Scheme;
5. the service agreements and letters of appointment referred to in the paragraph headed “Further information about Directors and substantial shareholders” in Appendix IV to this prospectus;
6. the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;
7. the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus;
8. the audited financial statements of our Group for the financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017;
9. the letter in relation to the rental of the premises leased from connected persons issued by Memfus Wong Surveyors Limited, an independent valuer;
10. the letter and valuation certificate in respect of the leased premises of our Group with Independent Third Parties issued by Memfus Wong Surveyors Limited; and
11. the legal opinion issued by Mr. Chan Chung, barrister-at-law.