



STEVE LEUNG DESIGN GROUP LIMITED
梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2262

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners & Joint Lead Managers



IMPORTANT

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

S L D

STEVE LEUNG DESIGN GROUP LIMITED

梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 285,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 28,500,000 Shares (including 2,850,000 Employee Reserved Shares, subject to adjustment)
Number of International Placing Shares	: 256,500,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$1.05 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 2262

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents 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 "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered or sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The Offer Shares are being offered only outside of the United States in offshore transactions in reliance on Regulations S.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 27 June 2018 and, in any event, not later than Wednesday, 4 July 2018. The Offer Price will be no more than HK\$1.05 per Offer Share and is currently expected to be no less than HK\$0.71 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, 4 July 2018 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

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

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sldgroup.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, see "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination".

22 June 2018

EXPECTED TIMETABLE^(Note 1)

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Stock Exchange at www.hkexnews.hk and our Company on www.sldgroup.com.

Latest time for lodging **PINK** Application Forms at our Company's head office at 30/F, Manhattan Place, No. 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong 12:00 noon on Tuesday, 26 June 2018

Latest time to complete electronic applications under **White Form eIPO** service through the designated website www.eipo.com.hk^(Note 2) 11:30 a.m. on Wednesday, 27 June 2018

Application lists of the Hong Kong Public Offering open^(Note 3) 11:45 a.m. on Wednesday, 27 June 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms. 12:00 noon on Wednesday, 27 June 2018

Latest time to give **electronic application instructions** to HKSCC^(Note 4) 12:00 noon on Wednesday, 27 June 2018

Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Wednesday, 27 June 2018

Application lists of the Hong Kong Public Offering close 12:00 noon on Wednesday, 27 June 2018

Expected Price Determination Date^(Note 5) Wednesday, 27 June 2018

EXPECTED TIMETABLE^(Note 1)

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering; and
- the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares

to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.sldgroup.com on or before^(Note 6)Wednesday, 4 July 2018

(2) Announcement of results of allocations in the

Hong Kong Public Offering and the Employee Preferential Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our

Company's website at www.sldgroup.com (See "How to Apply for Hong Kong Offer Shares and Employee Reserved Shares –

11. Publication of Results") fromWednesday, 4 July 2018

(3) A full announcement of the Hong Kong

Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk^(Note 7)

and our Company's website at www.sldgroup.com^(Note 8) fromWednesday, 4 July 2018

Results of allocations for the Hong Kong Public

Offering and the Employee Preferential Offering will be available at www.iporesults.com.hk (alternatively:

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

with a "search by ID" function.Wednesday, 4 July 2018

EXPECTED TIMETABLE^(Note 1)

Despatch/collection of Share certificates or deposit
of share certificates in respect of wholly or
partially successful applications pursuant to the
Hong Kong Public Offering and the Employee
Preferential Offering on or before^(Note 6) Wednesday, 4 July 2018

Despatch of **White Form** e-Refund payment
instructions/refund cheques on or before^(Note 9) Wednesday, 4 July 2018

Dealings in Shares on the Stock Exchange
to commence on Thursday, 5 July 2018

Notes:

1. All times and dates refer to Hong Kong local time and date, except as otherwise stated.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27 June 2018, the application lists will not open on that day. See “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares – 10. Effect of Bad Weather on the Opening of the Application Lists”.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS”.
5. The Price Determination Date is expected to be on or around Wednesday, 27 June 2018 and, in any event, not later than Wednesday, 4 July 2018. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 4 July 2018, the Global Offering will not proceed and will lapse.
6. **Share certificates are expected to be issued on Wednesday, 4 July 2018 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Thursday, 5 July 2018. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk.**
7. The announcement will be available for viewing on the “Main Board – Allotment of Results” page on the Stock Exchange’s website www.hkexnews.hk and our Company’s website at www.sldgroup.com.
8. None of the website or any of the information contained on the website forms part of this prospectus.
9. **e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.**

You should read carefully “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the Employee Reserved Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at www.sldgroup.com does not form part of this prospectus.

	Page
Expected Timetable	i
Contents	iv
Summary and Highlights	1
Definitions	14
Glossary of Technical Terms	34
Forward-looking Statements	36
Risk Factors	38
Information about this Prospectus and the Global Offering	63

CONTENTS

Waiver from Strict Compliance with the Listing Rules	67
Directors and Parties Involved in the Global Offering	68
Corporate Information	74
Industry Overview	77
Regulatory Overview	89
History, Development and Reorganisation	102
Business	122
Directors and Senior Management	178
Relationship with Controlling Shareholders and Founder	201
Connected Transactions	221
Share Capital	232
Substantial Shareholders	235
Financial Information	238
Future Plans and Use of Proceeds	290
Underwriting	296
Structure and Conditions of the Global Offering	310
How to Apply for Hong Kong Offer Shares and Employee Reserved Shares	324
Appendix I – Accountants’ Report	I-1
Appendix II – Unaudited Pro Forma Financial Information ...	II-1
Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in 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 document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are an internationally renowned and award-winning Interior Design Services and Interior Decorating & Furnishing Services provider headquartered in Hong Kong with offices in Shenzhen, Guangzhou, Beijing, Shanghai and Chengdu in the PRC. Well recognised in the PRC, Hong Kong and the overseas, we are known for undertaking residential, private residence and hospitality projects which target the high-end market in the PRC and Hong Kong. For each of FY2015, FY2016 and FY2017, over 70.0% of our total revenue was contributed by our residential projects.

Founded by Mr. Steve Leung in 1997, we had grown to become one of the largest interior design groups with over 500 employees in the PRC and Hong Kong after 20 years of business operation. Furthermore, in 2014, we have become part of Jangho Group, a multi-branded corporation in the PRC committed to the promotion of environmental health and human well-being through the provision of environmental-friendly architecture and construction and healthcare and medical services. The listing of our Company constitutes a spin-off of certain assets and businesses held by our Group by Jangho Co., which is a company listed on the Shanghai Stock Exchange.

Mr. Steve Leung is our founder and substantial Shareholder. Although he is not one of our Directors, Mr. Steve Leung is a director of our subsidiaries, mainly responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects. During the Track Record Period, some of our contracts were secured through Mr. Steve Leung, and Mr. Steve Leung mainly provided valuable input in deliverables and oversaw our in-house standards and specifications for quality control.

We were recognised as the number one interior design firm in the residential category and the top second and 21st interior design firm in the Asia and global rankings, respectively, by the 2018 Top 100 Giants Research issued by the Interior Design magazine of the United States.

OUR BUSINESS MODEL

During the Track Record Period, we sought to achieve optimal balance between costs, functionality and aesthetics to uplift lifestyle of end users by providing quality Interior Design Services. Along with concept creation, we assist our clients to achieve realisation of our design concepts through the provision of project documentation and construction supervision. For each of FY2015, FY2016 and FY2017, over 80.0% of our revenue was generated through the provision of our Interior Design Services.

SUMMARY AND HIGHLIGHTS

To best showcase and enhance our interior designs, we also assist in furnishing the functional space with the use of FF&A by providing Interior Decorating & Furnishing Services to clients who engaged us for Interior Design Services during the Track Record Period. Part of our Interior Decorating & Furnishing Services started off as value-added services offered under our Interior Design Services. In view of its market potential, our management decided to commit resources in developing our Interior Decorating & Furnishing Services. In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major types of services when Steve Leung Lifestyle was incorporated and our decoration teams were formally organised into an individual operating business unit. For FY2015, FY2016 and FY2017, 4.1%, 7.8% and 16.3% of our revenue was generated through the provision of our Interior Decorating & Furnishing Services, respectively. The remaining revenue, representing not more than 1.0% of our revenue for each of FY2015, FY2016 and FY2017, was attributable to the provision of Product Design Services.

For FY2015, FY2016 and FY2017, we had a total number of 356, 534 and 656 contracts, respectively. The following table sets forth a breakdown of our revenue and the number of contracts by types of services, projects and geographical locations during the Track Record Period:

	FY2015			FY2016			FY2017		
	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue
Interior Design Services projects									
The PRC									
Residential project	183	142,117	56.9	241	191,116	60.0	338	219,130	50.4
Private residence project	7	5,458	2.2	21	11,116	3.5	23	25,022	5.8
Hospitality project	23	17,947	7.2	55	16,819	5.3	66	28,992	6.6
Commercial project	7	3,525	1.4	35	10,852	3.4	61	21,230	4.9
Others ^(Note 1)	5	8,326	3.3	30	8,539	2.7	22	9,675	2.2
Hong Kong									
Residential project	36	31,274	12.5	44	27,257	8.5	36	19,976	4.6
Private residence project	10	7,510	3.0	10	1,210	0.4	10	10,752	2.5
Hospitality project	14	6,802	2.7	14	5,948	1.8	12	3,471	0.8
Commercial project	3	839	0.3	3	1,564	0.5	7	2,218	0.5
Others ^(Note 1)	–	–	–	2	814	0.3	–	–	–
Others^(Note 2)									
Residential project	11	6,478	2.6	4	472	0.2	5	5,980	1.4
Private residence project	3	1,309	0.5	3	4,185	1.3	2	86	0.0
Hospitality project	5	4,611	1.9	3	11,165	3.5	9	12,858	3.0
Commercial project	1	2,671	1.1	1	676	0.2	2	1,088	0.2
Others ^(Note 1)	–	–	–	1	400	0.1	–	–	–

SUMMARY AND HIGHLIGHTS

	FY2015			FY2016			FY2017		
	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue
Interior Decorating & Furnishing Services projects^(Note 3)									
The PRC									
Residential project	49	7,009	2.8	128	20,081	6.3	214	62,859	14.5
Private residence project	–	–	–	1	55	0.0	6	1,210	0.3
Hospitality project	5	341	0.1	6	533	0.2	18	1,622	0.4
Commercial project	1	32	0.0	2	180	0.1	9	1,178	0.3
Others ^(Note 4)	6	410	0.2	7	1,471	0.4	4	1,951	0.4
Hong Kong									
Residential project	9	917	0.4	15	1,717	0.6	17	186	0.0
Private residence project	4	286	0.1	5	87	0.0	5	51	0.0
Hospitality project	4	178	0.1	5	177	0.1	8	828	0.2
Commercial project	–	–	–	2	97	0.0	1	50	0.0
Others ^(Note 4)	4	707	0.3	4	205	0.1	–	–	–
Others^(Note 2)									
Residential project	–	–	–	1	136	0.0	2	443	0.1
Private residence project	–	–	–	–	–	–	–	–	–
Hospitality project	–	–	–	1	54	0.0	1	245	0.1
Commercial project	–	–	–	–	–	–	1	77	0.0
Others ^(Note 4)	1	329	0.1	–	–	–	–	–	–
Product Design Services projects									
The PRC	–	–	–	2	462	0.1	5	1,976	0.4
Hong Kong	1	200	0.1	–	–	–	–	–	–
Others	4	589	0.2	4	1,220	0.4	6	1,668	0.4
	396	249,865	100.0	650	318,608	100.0	890	434,822	100.0

Notes:

- During the Track Record Period, our other Interior Design Services projects included composite projects, education institution projects and healthcare projects.
- During the Track Record Period, the other geographical locations were Canada, Germany, Italy, Japan, Macau, Malaysia, Mongolia, Myanmar, the Philippines, Qatar, Saudi Arabia, Singapore, Switzerland, Taiwan, Thailand, the United Arab Emirates and the United Kingdom.
- For FY2015, FY2016 and FY2017, 40, 116 and 234 contracts involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services, respectively.
- During the Track Record Period, our other Interior Decorating & Furnishing Services projects included composite projects and procurement, supply, installation and/or setting of FF&A which could not be categorised based on types of property development.

SUMMARY AND HIGHLIGHTS

The following table sets forth a breakdown of our gross profit and gross profit margin by operating segments for the periods indicated:

	FY2015		FY2016		FY2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Interior Design Services	119,261	49.9	168,652	57.7	198,947	55.2
Interior Decorating & Furnishing Services	6,906	67.6	10,271	41.4	12,256	17.3
Product Design Services	470	59.6	1,509	89.7	1,862	51.1
Overall	<u>126,637</u>	50.7	<u>180,432</u>	56.6	<u>213,065</u>	49.0

Our projects were mainly secured through (i) recurring clients; (ii) referrals; and (iii) direct request for proposal from our new clients. The factors we generally take into account when evaluating the potential of a project include the scope of services to be provided, the work programme and the location, scale, complexity and market positioning of the project. When a potential project is identified, a fee proposal is generally prepared based on the (i) reference unit price formulated for different categories of projects and services; and (ii) design area, adjusted by factors such as the total scope and volume of work, the identity and our relationship with the client, the number of contracts awarded by the client at the relevant time and the then market conditions. The reference unit price has taken into account our target margin, our historical service fee and anticipated design work.

Our Interior Design Services typically involve (i) concept design; (ii) detail design; and (iii) project documentation, all of which involve the provision of different deliverables such as layout plans, image boards, computer generated images, sample boards, dimensional plans and working details. After appointment of contractors by our client, we are responsible for the inspection and review of the construction works carried out by the contractors engaged by our client. Depending on the terms of engagement, our Interior Decorating & Furnishing Services may involve: (i) concept design; (ii) detail design; and (iii) the procurement, supply, installation and/or setting up of FF&A.

During the Track Record Period, our revenue was mainly derived from (i) our service fee for the provision of Interior Design Services; (ii) the aggregate of service fee for the provision of Interior Decorating & Furnishing Services and income from supply of FF&A under Interior Decorating & Furnishing Services; and (iii) the aggregate of service fee for the provision of Product Design Services and the licence fee for the subsequent use of our design, with most of our total revenue attributable to the service fees we received.

SUMMARY AND HIGHLIGHTS

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, we ranked second among interior design services providers which did not provide any fitting-out services, representing 0.18% of the market share in terms of revenue for FY2017 in the PRC and Hong Kong. The PRC and Hong Kong interior design and decorating services industry is highly fragmented and competitive, with the largest market player contributing less than 0.5% of the total market share in terms of revenue in FY2017 in the PRC and Hong Kong. Due to the low barriers to entry and the absence of specific regulations, players in the market engage in various business models offering services ranging from interior design and decorating services, overall consultancy services, and construction work depending on the scales and resources of the players. We mainly compete on our ability to offer creative, quality and comprehensive interior design and decorating services, brand awareness and client network. For details, see “Industry Overview”.

OUR CLIENTS

We had over 390 clients including property developers, individual private clients, restaurant operators, hotel developers and operators, well-known furniture and lifestyle product brands and other private corporations during the Track Record Period. For FY2015, FY2016 and FY2017, our five largest clients accounted for 27.8%, 19.5% and 26.8% of our total revenue, respectively. For details, see “Business – Our Clients”.

OUR SUPPLIERS AND SUB-CONSULTANTS

During the Track Record Period, our suppliers included traders of FF&A, specialist sub-consultants which specialise in design over specialist lighting, signage, M&E and architecture, renowned interior designers who we collaborate due to the need for specialisation and upon the request of our clients in our Interior Design Services projects and other ancillary service providers for cost efficiency. For FY2015, FY2016 and FY2017, our five largest suppliers accounted for 63.3%, 49.3% and 39.1% of our total purchases and sub-contracting fees, respectively. For details, see “Business – Our Suppliers”.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths: (i) we are an award-winning Interior Design Services and Interior Decorating & Furnishing Services provider with an internationally renowned brand in the PRC, Hong Kong and overseas; (ii) we have strong and experienced design and decoration teams; (iii) we offer quality services through the adoption of well-established design quality internal control system; (iv) we execute our projects effectively and efficiently to meet our clients’ requirements; (v) we have a stable and experienced management team; and (vi) we have a strong client base in the PRC and Hong Kong. For details, see “Business – Competitive Strengths”.

SUMMARY AND HIGHLIGHTS

OUR BUSINESS STRATEGIES

In order to achieve sustainable business growth and enhance our competitiveness, we intend to pursue the following business strategies: (i) further strengthen our Interior Design Services; (ii) further develop our Interior Decorating & Furnishing Services; (iii) further develop our Product Design Services; (iv) pursue growth through selective mergers and acquisitions; (v) improving our information technology systems; and (vi) continue to further enhance our brand recognition. For details, see “Business – Business Strategies”.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, there were instances where our Group failed to comply with the Inland Revenue Ordinance. See “Business – Compliance – Non-compliance with the Inland Revenue Ordinance” for details.

SELECTED OPERATING DATA

	FY2015	FY2016	FY2017
Contract sum of new contracts awarded during the year ^(Note 1) (HK\$'000)	354,094	455,084	523,494
Contract sum as at the end of the year ^(Note 2) (HK\$'000)	334,041	407,471	422,597

Notes:

1. In September 2016, we acquired the majority interest in Gangyuan Design and Gangyuan Design became our non-wholly owned subsidiary. For details, see “History, Development and Reorganisation – Corporate Development – Our subsidiaries – Gangyuan Design”. For FY2016, HK\$20.1 million of the contract sum of new contracts awarded during the year represented contract sum attributable to Gangyuan Design at time of acquisition and the contract sum of new contracts awarded to Gangyuan Design after the acquisition.
2. Among our contract sums as at 31 December 2015, 2016 and 2017, HK\$56.0 million, HK\$104.8 million and HK\$58.7 million were attributable to projects which were suspended, respectively, mainly due to reasons beyond our control, such as change of market conditions and project re-positioning which led to our clients initiating suspension of projects or delay in the agreed schedule. Contracts become suspended when there are delay in the agreed schedule for more than one year or upon the notification of our clients.

SUMMARY AND HIGHLIGHTS

SUMMARY OF SELECTED FINANCIAL AND OPERATIONAL INFORMATION

Summary consolidated statements of profit or loss and other comprehensive income

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Revenue	249,865	318,608	434,822
Cost of sales	<u>(123,228)</u>	<u>(138,176)</u>	<u>(221,757)</u>
Gross profit	126,637	180,432	213,065
Other gains and losses	(6,136)	(6,576)	(1,888)
Other income	5,304	2,882	1,926
Administrative expense	(80,711)	(84,459)	(102,806)
Listing expense	–	(12,554)	(8,826)
Finance cost	<u>–</u>	<u>(194)</u>	<u>(149)</u>
Profit before taxation	45,094	79,531	101,322
Income tax expense	<u>(11,898)</u>	<u>(19,376)</u>	<u>(27,763)</u>
Profit for the year	<u><u>33,196</u></u>	<u><u>60,155</u></u>	<u><u>73,559</u></u>

The relatively lower revenue for FY2015 was mainly attributable to the lower number of on-going and completed contracts for provision of Interior Design Services for residential projects in the PRC for FY2015, as a result of the prolonged project progress leading to the projects taking longer time to be completed, affected by the slowdown of the PRC real estate market. Our revenue increased from HK\$249.9 million for FY2015 to HK\$434.8 million for FY2017 at a CAGR of 31.9%, which was mainly affected by the steady growing real estate market in the PRC during the Track Record Period, resulting in the continuous significant increase in demand for our services in the PRC as our major market. Besides, formally introduced as one of our major types of services, our Interior Decorating & Furnishing Services was expanding during the Track Record Period, which also contributed to the increase in revenue for FY2016 and further significant increase in FY2017.

SUMMARY AND HIGHLIGHTS

Summary of consolidated statement of financial position

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	29,793	28,240	34,500
Current assets	209,233	271,675	340,627
Non-current liabilities	1,802	695	151
Current liabilities	102,154	118,314	167,826
Net current assets	107,079	153,361	172,801
Total equity	135,070	180,906	207,150

Summary of consolidated cash flow statements

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	34,901	76,376	62,218
Net cash (used in)/from investing activities	(19,956)	16,766	(19,307)
Net cash used in financing activities	(23,410)	(29,622)	(19,067)
Net (decrease)/increase in cash and cash equivalents	(8,465)	63,520	23,844
Cash and cash equivalents at beginning of year	72,076	63,420	126,337
Effect of exchange rate changes	(191)	(603)	4,729
Cash and cash equivalents at end of year	<u>63,420</u>	<u>126,337</u>	<u>154,910</u>

SUMMARY AND HIGHLIGHTS

Key financial ratios

	As at 31 December		
	2015/ FY2015	2016/ FY2016	2017/ FY2017
Gross profit margin (%)	50.7	56.6	49.0
Net profit margin (%)	13.3	18.9	16.9
Return on equity (%)	24.0	38.1	37.9
Return on total assets (%)	14.9	22.3	21.8
Interest coverage	N/A	411.5	680.0
Current ratio	2.0	2.3	2.0
Quick ratio	2.0	2.3	2.0
Gearing ratio (%)	0.7	2.8	3.9
Net debt to equity ratio	Net cash	Net cash	Net cash

Our fluctuation in gross profit margin during the Track Record Period was primarily attributable to the change in revenue mix in our services which contributed to different gross profit margins, depending on a number of factors including the type of projects we were engaged in, the scope, complexity, and scale of the projects, and the prevailing market price charged by our competitors. Our overall gross profit was mainly contributed by our Interior Design Services. The lower gross profit margin for Interior Design Services for FY2015 was mainly attributable to the prolonged project duration for the residential projects in the PRC for FY2015. As our clients took longer time for each stage of project progress affected by the slowdown of the real estate market in the PRC in 2015, we incurred additional costs which lowered our gross profit margin. The improvement of gross profit margin for Interior Design Services were mainly driven by our enhancement of operational efficiency since FY2016. Our gross profit margin decreased for FY2017 was mainly attributable to the decrease in the gross profit margin for Interior Decorating & Furnishing Services, primarily since our services involved more supply of FF&A which entailed lower gross profit margin. The supply of FF&A has recorded a higher gross profit margin for FY2015 as we started the business during FY2015, which was then normalised in the following years with the involvement of more larger-scale projects.

We recorded net profit margin of 13.3%, 18.9% and 16.9% for FY2015, FY2016 and FY2017, respectively. Our lower net profit margin for FY2015 was mainly attributable to the decrease in gross profit margin mainly as a result of the decrease in provision of Interior Design Services, the increase in staff expenses because of the Loyalty Incentive Scheme and Conversion Scheme and the increase in average staff number for FY2015. The improvement of net profit margin for FY2016 was mainly due to the increase in gross profit margin and the improvement of operational efficiency. Our net profit margin decreased for FY2017 was mainly negatively affected by the decrease in gross profit margin for FY2017.

SUMMARY AND HIGHLIGHTS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), our Company will be beneficially owned as to 52.50% by Eagle Vision. As at the Latest Practicable Date, Eagle Vision was a company beneficially owned as to approximately 28.57%, 28.57% and 42.86% by Health Capital (a company wholly and beneficially owned by Gangyuan HK, a company wholly and beneficially owned by Gangyuan Decoration, a company beneficially owned as to approximately 68.75% by Jangho Chuangzhan, which was in turn wholly and beneficially owned by Jangho Co.), Gloryeild Enterprises (a company wholly and beneficially owned by Sundart Holdings, a company beneficially owned as to approximately 69.50% by Reach Glory, which was in turn wholly and beneficially owned by Jangho HK) and Peacemark Enterprises (a company wholly and beneficially owned by Jangho HK).

As at the Latest Practicable Date, Jangho HK was wholly and beneficially owned by Jangho Co., a company beneficially owned, among others, as to approximately 25.07% by Mr. Liu and approximately 27.35% by Jiangheyuan, which was in turn beneficially owned as to 85% and 15% by Mr. Liu and his spouse, Ms. Fu, respectively.

On the basis that Health Capital, Gloryeild Enterprises and Peacemark Enterprises restrict their ability to exercise direct control over our Company by holding their interests through Eagle Vision, they are presumed to be a group of our Controlling Shareholders. Therefore, Eagle Vision, Gloryeild Enterprises, Sundart Holdings, Reach Glory, Health Capital, Gangyuan HK, Gangyuan Decoration, Jangho Chuangzhan, Jangho Co., Jiangheyuan, Peacemark Enterprises, Jangho HK, Mr. Liu and Ms. Fu are regarded as a group of our Controlling Shareholders for the purpose of the Listing Rules. For further details, see “Relationship with Controlling Shareholders and Founder”.

Further, Mr. Steve Leung and Sino Panda will also be regarded as our Controlling Shareholders until immediately prior to the completion of the Capitalisation Issue and the Global Offering in view of their 30% interest in our Shares. In addition to the requirement under Rule 10.07(1)(a) of the Listing Rules, each of Mr. Steve Leung and Sino Panda has voluntarily given further lock-up undertakings to our Company. For details, see “Relationship with Controlling Shareholders and Founder – Deed of Non-Competition and Lock-up Undertaking from Mr. Steve Leung and Sino Panda – Lock-up undertakings”.

SUMMARY AND HIGHLIGHTS

PRE-IPO SHARE OPTION SCHEME

On 11 June 2018, we have conditionally adopted the Pre-IPO Share Option Scheme. As at the Latest Practicable Date, our Company had a total of 30,483,600 share options outstanding (representing 2.674% of the issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) to 16 individuals who are Director, senior management, employees, consultants and other contributors of our Group. Assuming all options granted under the Pre-IPO Share Option Scheme are exercised in full, the dilutive effect on the shareholding and earnings per Share of our Shareholders would be approximately 2.604%. For further details, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

RECENT DEVELOPMENT

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 December 2017. Since 31 December 2017 and up to the Latest Practicable Date, we had (i) entered into 164 new contracts with a total contract sum of HK\$272.0 million; and (ii) received 278 enquiries with a total estimated contract sum of HK\$780.1 million.

Save as disclosed in “Recent Development” in this section, our Directors confirm that, since 31 December 2017 and up to the date of this prospectus, (i) there had not been any material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I.

LISTING EXPENSE

Listing expense represents professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK\$0.88 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expense is estimated to be HK\$47.4 million, of which HK\$16.4 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$31.0 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Listing expense of HK\$9.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. We do not expect these expense to have a material impact on our results of operations as reflected in our consolidated statement of comprehensive income for FY2018.

SUMMARY AND HIGHLIGHTS

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto, are estimated to be HK\$203.4 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$0.88 per Share, being the mid-point of the proposed Offer Price range of HK\$0.71 to HK\$1.05 per Share. We intend to use such net proceeds as follows:

- HK\$70.6 million (or 34.7% of our total estimated net proceeds) for strengthening our Interior Design Services and developing specialisation;
- HK\$32.8 million (or 16.1% of our total estimated net proceeds) for further developing our Interior Decorating & Furnishing Services;
- HK\$30.0 million (or 14.8% of our total estimated net proceeds) for pursuing growth through selective mergers and acquisitions;
- HK\$23.3 million (or 11.5% of our total estimated net proceeds) for improving our information technology systems;
- HK\$20.0 million (or 9.8% of our total estimated net proceeds) for repaying existing bank borrowings;
- HK\$11.6 million (or 5.7% of our total estimated net proceeds) for enhancing our brand recognition;
- HK\$3.3 million (or 1.6% of our total estimated net proceeds) for further developing our Product Design Services; and
- the balance to be used for working capital and other general corporate purposes.

DIVIDENDS

During the Track Record Period, dividends of HK\$36.6 million, HK\$17.4 million and HK\$100.0 million were declared in FY2015, FY2016 and FY2017, respectively. All such dividends had been fully settled as at the Latest Practicable Date. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our operating results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors at their absolute discretion. Future dividend payments will also depend on the availability of dividends received from our subsidiaries in China, which is subject to the relevant PRC laws and regulations. Our Group does not have any dividend policy. For further details, see “Financial Information – Dividends”.

SUMMARY AND HIGHLIGHTS

OFFER STATISTICS

Market capitalisation of our Shares ^(Note 1)	:	HK\$809.4 million based on an Offer Price of HK\$0.71 per Share to HK\$1,197.0 million based on an Offer Price of HK\$1.05 per Share
Unaudited pro forma adjusted net tangible asset value per Share ^(Note 2)	:	HK\$0.33 based on an Offer Price of HK\$0.71 per Share; and HK\$0.41 based on an Offer Price of HK\$1.05 per Share

Notes:

1. The calculation of market capitalisation is based on the 1,140,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering.
2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets Attributable to Owners of the Company” and on the basis of 1,140,000,000 Shares in issue at the Offer Price immediately upon the completion of the Global Offering.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC, and risks relating to the Global Offering. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire “Risk Factors” carefully before you decide to invest in the Offer Shares. Some of the major risks we face include: (i) we rely heavily on the PRC market; (ii) our brand is closely associated with Mr. Steve Leung; (iii) we rely heavily on our interior designers and decorators; (iv) we rely on our management team in operating our business; and (v) negative publicity or damage to our business reputation may have potential adverse impact on our business.

The entire prospectus should be read carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through our media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

DEFINITIONS

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

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s), GREEN Application Form(s) and PINK Application Form(s) or where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
“Art Union”	ART UNION LIMITED (藝集有限公司), a company incorporated in Hong Kong with limited liability on 20 October 2004 and wholly and beneficially owned by Mr. Steve Leung
“Art Union Lease Agreement”	a lease agreement dated 15 June 2018 entered into between SLDL and Art Union as referred to in “Connected Transactions – Continuing Connected Transactions – 2. Fully-exempt continuing connected transactions – (1) Art Union Lease Agreement”
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 11 June 2018 which will take effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board of Directors” or “Board”	our board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
“BVI”	British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the capitalisation of an amount of HK\$8,549,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 854,999,000 Shares for allotment and issue to our Shareholders as resolved by our Shareholders on 11 June 2018
“Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended and consolidated from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, for the purpose of this prospectus only, excludes Hong Kong, Taiwan and Macau
“Circular 67”	Circular on Issues Concerning Regulating Overseas Listing of Subsidiaries of Domestic Listed Companies (Zheng Jian Fa [2004] No. 67) (《關於規範境內上市公司所屬企業到境外上市有關問題的通知》) (證監發[2004]67號) promulgated by the CSRC on 21 July 2004
“close associate”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“CMS”	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	STEVE LEUNG DESIGN GROUP LIMITED (梁志天設計集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 9 December 2016
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Eagle Vision, Gloryeild Enterprises, Sundart Holdings, Reach Glory, Health Capital, Gangyuan HK, Gangyuan Decoration, Jangho Chuangzhan, Peacemark Enterprises, Jangho HK, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	Corporate Governance Code set out as Appendix 14 to the Listing Rules

DEFINITIONS

“CSCI”	China Securities (International) Corporate Finance Company Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“Deed of Guarantee”	a deed of guarantee dated 26 April 2013 entered into between Mr. Steve Leung and a UK-based residential and hotel design company as referred to in “Connected Transactions – Continuing Connected Transactions – 2. Fully-exempt continuing connected transactions – (4) Licence Agreement”
“Deed of Indemnity”	the deed of indemnity dated 11 June 2018 and executed by Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “F. Other Information – I. Estate duty, tax and other indemnities” in Appendix IV
“Deed of Non-competition”	the deed of non-competition dated 11 June 2018 and executed by our Controlling Shareholders (except Sundart Holdings and Gloryeild Enterprises) in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholders and Founder – Deed of Non-competition from our Controlling Shareholders (except Sundart Holdings and Gloryeild Enterprises)”
“Director(s)” or “our Director(s)”	director(s) of our Company
“Dongxing Securities”	Dongxing Securities (Hong Kong) Company Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

DEFINITIONS

“Eagle Vision”	EAGLE VISION DEVELOPMENT LIMITED, a company incorporated in the BVI with limited liability on 2 January 2014 and beneficially owned as to 28.57% by Gloryeild Enterprises, 28.57% by Health Capital and 42.86% by Peacemark Enterprises
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“ electronic application instruction(s) ”	Instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
“Eligible Employee(s)”	any full-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries or a close associate of such chief executive or directors; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other connected persons of our Company
“Employee Preferential Offering”	the offer of up to 2,850,000 Hong Kong Offer Shares to Eligible Employees as described in the section “Structure and Conditions of the Global Offering – Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 2,850,000 Hong Kong Offer Shares (representing 1% of the Offer Shares initially available under the Global Offering) available in the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares

DEFINITIONS

“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Euro”, “€” or “EUR”	the lawful currency of the member states of the European Union
“European Union”	the European Union first established by the treaty made at Maastricht on 2 February 1992
“Everyday Living”	Everyday Living Limited (天天生活有限公司), a company incorporated in Hong Kong with limited liability on 10 October 2014 and an indirect wholly-owned subsidiary of our Company
“Everyday Living (Guangzhou)”	天天生活(廣州)貿易有限公司, a company established in the PRC with limited liability on 5 February 2015 and an indirect wholly-owned subsidiary of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research institution
“Frost & Sullivan Report”	an independent industry report prepared by Frost & Sullivan, an extract of which is set out in “Industry Overview”
“FY”	the financial year ended or ending 31 December
“Gangyuan Decoration”	北京港源建築裝飾工程有限公司 (Gangyuan Architectural Decoration Engineering Co., Ltd.), a company established in the PRC with limited liability on 7 December 1992 and owned as to 26.25% by Jangho Co., 68.75% by Jangho Chuangzhan and 5% by Mr. Fu Jianping, a director of some of our subsidiaries, respectively

DEFINITIONS

“Gangyuan Design”	北京港源建築裝飾設計研究院有限公司 (Beijing Gangyuan Institute of Architectural Decoration Design and Research Co., Ltd.) (formerly known as 北京港源建築裝飾設計有限公司), a company established in the PRC with limited liability on 6 September 2006, which is beneficially owned as to 80% and 20% by Steve Leung (Beijing) and Gangyuan Decoration, respectively
“Gangyuan Design Service Agreement”	a service agreement dated 13 June 2018 entered into between Gangyuan Design and Gangyuan Decoration as referred to in “Connected Transactions – Continuing Connected Transactions – 3. Non-fully exempt continuing connected transaction – (1) Gangyuan Design Service Agreement”
“Gangyuan HK”	GANGYUAN ARCHITECTURAL DECORATION HONGKONG LIMITED (港源建築裝飾香港有限公司), a company incorporated in Hong Kong with limited liability on 13 December 2013, a wholly-owned subsidiary of Gangyuan Decoration and one of our Controlling Shareholders
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gloryeild Enterprises”	GLORYEILD ENTERPRISES LIMITED, a company incorporated in the BVI with limited liability on 2 January 2014, a wholly-owned subsidiary of Sundart Holdings, and one of our Controlling Shareholders
“ GREEN Application Form(s)”	the application form(s) for use by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we”, “our”, “our Group” and “us”	our Company and its subsidiaries
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities

DEFINITIONS

“Health Capital”	HEALTH CAPITAL ENTERPRISES LIMITED, a company incorporated in the BVI with limited liability on 2 January 2014, a wholly-owned subsidiary of Gangyuan HK and one of our Controlling Shareholders
“HKFRSs”	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Offer Shares”	the 28,500,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or re-allocation as described in the section “Structure and Conditions of the Global Offering”
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in “Structure and Conditions of the Global Offering – Hong Kong Public Offering”

DEFINITIONS

“Hong Kong Underwriters”	the underwriters for the Hong Kong Public Offering as listed in “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 21 June 2018 relating to the Hong Kong Public Offering entered into among our Company, Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu, Ms. Fu, our executive Directors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”
“Independent Third Party(ies)”	any entity(ies) or person(s) who is/are not connected person(s) within the meaning ascribed thereto under the Listing Rules
“Inland Revenue Ordinance”	the Inland Revenue Ordinance of Hong Kong (Chapter 112 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time)
“International Placing”	the conditional offering of the International Placing Shares for and on behalf of our Company outside the United States (including professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S
“International Placing Shares”	256,500,000 new Shares being initially offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section “Structure and Conditions of the Global Offering”
“International Sanctions”	sanctions-related laws and regulations issued by the U.S., the European Union, the United Nations or Australia

DEFINITIONS

“International Underwriters”	the several underwriters for the International Placing who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, us, Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu, Ms. Fu, our executive Directors, the Joint Global Coordinators and the International Underwriters relating to the International Placing
“Jangho Chuangzhan”	北京江河創展管理諮詢有限公司 (Beijing Jangho Chuangzhan Management Consulting Company Limited) (formerly known as 北京江河創展投資管理有限公司 and 北京黔龍華資國際投資管理諮詢有限公司), a company established in the PRC with limited liability on 8 December 2004 and a wholly-owned subsidiary of Jangho Co. and one of our Controlling Shareholders
“Jangho Co.”	江河創建集團股份有限公司 (Jangho Group Co., Ltd.) (formerly known as 北京江河幕牆股份有限公司 (Beijing Jangho Curtain Wall Co., Ltd.) and 北京江河幕牆裝飾工程有限公司), a joint stock limited company established in the PRC on 4 February 1999 (the A shares of which have been listed on the Shanghai Stock Exchange (stock code: 601886) since 18 August 2011), and one of our Controlling Shareholders
“Jangho Group”	Jangho Co. and its subsidiaries, excluding the members of our Group
“Jangho HK”	Jangho Hong Kong Holdings Limited (江河香港控股有限公司) (formerly known as JANGHO CURTAIN WALL HONGKONG LIMITED (江河幕牆香港有限公司)), a company incorporated in Hong Kong with limited liability on 28 October 2009, a wholly-owned subsidiary of Jangho Co., and one of our Controlling Shareholders

DEFINITIONS

“Jiangheyuan”	北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) (formerly known as 北京江河源工貿有限責任公司), a company established in the PRC with limited liability on 27 November 1998, which is 85% and 15% beneficially owned by Mr. Liu and Ms. Fu (both being our Controlling Shareholders), respectively, and one of our Controlling Shareholders
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	Dongxing Securities, CSCI, CMS and Guotai Junan Securities
“Latest Practicable Date”	13 June 2018, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Lease Agreement”	a lease agreement dated 31 October 2017 entered into between Gangyuan Design and Gangyuan Decoration as referred to in “Connected Transactions – Continuing Connected Transactions – 2. Fully-exempt continuing connected transactions – (2) Lease Agreement”
“Legal Counsel”	Mr. Ng, Danny Pak Kin, a barrister-at-law in Hong Kong
“Licence Agreement”	a licence agreement dated 26 April 2013 entered into between Steve Leung & Yoo and a UK-based residential and hotel design company as referred to in “Connected Transactions – Continuing Connected Transactions – 2. Fully-exempt continuing connected transactions – (5) Licence Agreement”
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be Thursday, 5 July 2018, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on 11 June 2018 which will take effect from the Listing Date, and as amended from time to time
“Mr. Liu”	Mr. Liu Zaiwang (劉載望), one of our Controlling Shareholders and the spouse of Ms. Fu
“Mr. Steve Leung”	Leung Chi Tien Steve (梁志天), our founder and one of the substantial Shareholders, and one of our Controlling Shareholders until immediately prior to the completion of the Capitalisation Issue and the Global Offering
“Ms. Fu”	Ms. Fu Haixia (富海霞), one of our Controlling Shareholders and the spouse of Mr. Liu
“OFAC”	the United States Department of Treasury’s Office of Foreign Assets Control
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, as further described in “Structure and Conditions of the Global Offering – Price Determination of the Global Offering”

DEFINITIONS

“Offer Shares”	the Hong Kong Offer Shares (including the Employee Reserved Shares) and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 42,750,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Placing, if any, as further described in “Structure and Conditions of the Global Offering – International Placing – Over-allotment Option”
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“Peacemark Enterprises”	PEACEMARK ENTERPRISES LIMITED, a company incorporated in the BVI with limited liability on 2 January 2014, a direct wholly-owned subsidiary of Jangho HK and one of our Controlling Shareholders
“per cent.” or “%”	percentage or per centum
“ PINK Application Form(s)”	the application form(s) for use by Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering
“PRC GAAP”	accounting principles generally accepted in the PRC
“PRC Government” or “State”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them

DEFINITIONS

“PRC Legal Advisers”	An Xin Law Firm, a qualified PRC law firm as the PRC legal advisers to our Company for the application for Listing
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme conditionally approved and adopted by our Company on 11 June 2018, the principal terms of which are summarised in “D. Pre-IPO Share Option Scheme” in Appendix IV
“Pre-IPO Share Options”	the share options granted under the Pre-IPO Share Option Scheme
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves 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 about Wednesday, 27 June 2018, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Wednesday, 4 July 2018
“Principal Share Registrar”	Conyers Trust Company (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Reach Glory”	REACH GLORY INTERNATIONAL LIMITED, a company incorporated in the BVI with limited liability on 15 June 2015 and a wholly-owned subsidiary of Jangho HK, and one of our Controlling Shareholders
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Development and Reorganisation – Reorganisation”

DEFINITIONS

“Repurchase Mandate”	the general unconditional mandate given to the Directors by our Shareholders relating to the repurchase of Shares, as further described in “A. Further Information about our Company – 3. Written resolutions of our Shareholders passed on 11 June 2018” in Appendix IV
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 11 June 2018, the principal terms of which are summarised in “E. Share Option Scheme” in Appendix IV
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sino Panda”	SINO PANDA GROUP LIMITED, a company incorporated in the BVI with limited liability on 8 August 2014, which is wholly and beneficially owned by Mr. Steve Leung, and one of our Controlling Shareholders until immediately prior to the completion of the Capitalisation Issue and the Global Offering
“SLA Holdings”	SLA Holdings Limited, a company incorporated in the BVI with limited liability on 9 April 2014 and a former subsidiary of SLDL which was dissolved on 11 May 2017

DEFINITIONS

“SLAL”	STEVE LEUNG ARCHITECTS LIMITED (梁志天建築師有限公司), a company incorporated in Hong Kong with limited liability on 25 June 1997 and an indirect wholly-owned subsidiary of our Company
“SLD Group”	SLD GROUP LIMITED (formerly known as SLD Holdings Limited), a company incorporated in the BVI with limited liability on 1 April 2014 and a former subsidiary of SLDL which was dissolved on 11 May 2017
“SLD Group Holdings”	SLD GROUP HOLDINGS LIMITED, a company incorporated in the BVI with limited liability on 3 January 2017 and a direct wholly-owned subsidiary of our Company
“SLDL”	STEVE LEUNG DESIGNERS LIMITED (梁志天設計師有限公司), a company incorporated in Hong Kong with limited liability on 25 June 1997 and an indirect wholly-owned subsidiary of our Company
“SLH Holdings”	SLH Holdings Limited, a company incorporated in the BVI with limited liability on 1 April 2014 and a former subsidiary of SLDL which was dissolved on 11 May 2017
“SLX Holdings”	SLX Holdings Limited, a company incorporated in the BVI with limited liability on 1 April 2014 and a former subsidiary of SLDL which was dissolved on 11 May 2017
“SL Deed of Indemnity”	the deed of indemnity dated 11 June 2018 and executed by Mr. Steve Leung and Sino Panda in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “F. Other Information – 1. Estate duty, tax and other indemnities” in Appendix IV

DEFINITIONS

“SL Deed of Non-competition and Lock-up Undertaking”	the deed of non-competition and lock-up undertaking dated 11 June 2018 and executed by Mr. Steve Leung and Sino Panda in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholders and Founder – Deed of Non-competition and Lock-up Undertaking from Mr. Steve Leung and Sino Panda”
“Sole Sponsor”	Dongxing Securities
“Stabilising Manager”	CSCI
“Steve Leung & Yoo”	Steve Leung & Yoo Limited (formerly known as 1957 & Co. (Parkview) Limited and 1997 LIMITED), a company incorporated in Hong Kong with limited liability on 18 March 2008 and an indirect wholly-owned subsidiary of our Company
“Steve Leung (Beijing)”	梁志天室內設計(北京)有限公司, a company established in the PRC with limited liability on 13 November 2014, which is an indirect wholly-owned subsidiary of our Company
“Steve Leung (Shanghai)”	梁志天設計諮詢(上海)有限公司, a company established in the PRC with limited liability in December 2002 and a subsidiary of SLDL prior to its deregistration in February 2012
“Steve Leung (Shenzhen)”	梁志天設計諮詢(深圳)有限公司, a company established in the PRC with limited liability on 20 April 2007 and an indirect wholly-owned subsidiary of our Company
“Steve Leung Exchange”	Steve Leung Exchange Limited (梁志天國際有限公司), a company incorporated in Hong Kong with limited liability on 29 May 2014 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Steve Leung Hospitality”	Steve Leung Hospitality Limited (梁志天酒店設計有限公司), a company incorporated in Hong Kong with limited liability on 29 May 2014 and an indirect wholly-owned subsidiary of our Company
“Steve Leung Lifestyle”	Steve Leung Lifestyle Limited (梁志天生活藝術有限公司), a company incorporated in Hong Kong with limited liability on 4 June 2015 and an indirect wholly-owned subsidiary of our Company
“Steve Leung Lifestyle (Shenzhen)”	梁志天生活藝術(深圳)有限公司, a company established in the PRC with limited liability on 19 May 2016 and an indirect wholly-owned subsidiary of our Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sundart Holdings”	SUNDART HOLDINGS LIMITED (承達集團有限公司) (stock code: 1568), a BVI business company incorporated in the BVI with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 29 December 2015 and an indirect non-wholly owned subsidiary of Jangho HK, and one of our Controlling Shareholders
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2015, FY2016 and FY2017

DEFINITIONS

“Trademark Licence Agreement”	a licence agreement dated 13 June 2018 entered into between Gangyuan Design and Gangyuan Decoration as referred to in “Connected Transactions – Continuing Connected Transactions – 2. Fully-exempt continuing connected transactions – (3) Trademark Licence Agreement”
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S. dollars” or “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

DEFINITIONS

In this prospectus:

1. Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.
2. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option, any options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.
3. The English names of the PRC entities mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

If there is any inconsistency of this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry definitions or usage of these terms.

“Andrew Martin International Interior Design Awards”	a broadly representative, impartial and authoritative award which is described as “The Oscars for the interior design world” and judged by a distinguished panel to present great designers to the industry and promote communication between designers all around the world
“CAGR”	compound annual growth rate
“FF&A”	an acronym for furniture, fittings and accessories, which refers to loose furniture, fittings, decorative lightings, curtains, carpets, artworks, sculptures, floral arts, kitchenware, tableware, bedding and other decorative items
“GDP”	gross domestic product
“Interior Decorating & Furnishing Services”	a type of interior decorating and consultancy services provided by our Group which encompasses the furnishing and optimisation of the resulting functional space to achieve the ambience desired by the client through our Interior Design Services by procurement, supply, installation and/or setting up of certain FF&A
“Interior Design magazine”	an American interior design magazine which is one of the design authorities for professionals, published by Sandow Media LLC
“Interior Design Services”	a type of interior design and consultancy services provided by our Group which encompasses the designing of Interior Space through our interior design technics and artistic interpretation to visually and functionally enhance a property space
“Interior Space”	the walls, ceiling and flooring within a property

GLOSSARY OF TECHNICAL TERMS

“INTERNI”	an Italian magazine of interiors and contemporary design which is one of the communication mediums in the world of Italian and international contemporary design, published by Mondadori
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“M&E”	an acronym for mechanical and electrical
“Product Design Services”	a type of design and consultancy services provided by our Group which encompasses the aesthetic and functional designing of household and lifestyle products for well-known brands to boost market appeal
“standard provision”	standardised interior design, fittings and provisions of a residential property in a new development offered by property developers to prospective purchasers
“sq.m.” or “m ² ”	square metre

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors” and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in the PRC and Hong Kong, including the sustainability of the economic growth in the PRC and Hong Kong;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in “Risk Factors”.

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

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

We rely heavily on the PRC market.

For each of FY2015, FY2016 and FY2017, over 70% of our revenue was attributable to the PRC market. Our business and results of operations are therefore subject to the political, economic and social policies and conditions of the PRC, as most of our revenue was derived from the PRC.

Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions and government policies. For example, in order to control inflation and promote economic growth, the PRC Government had introduced certain macro-economic policies, such as imposing commercial bank lending guidelines, which had the effect of restricting lending to certain industries. In recent years, the PRC Government has also implemented property market cooling measures. Some of these macro-economic policies may limit our ability to obtain financing or adversely affect the demand for our services, thus reducing our ability to implement our business strategies. There is also no assurance that the PRC Government will not introduce more restrictive or onerous policies in the future which may impose burdensome compliance obligations on us. Any change in the political, economic and social policies and conditions of the PRC may bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations.

Although the PRC Government has implemented measures emphasising the utilisation of market forces in the development of the Chinese economy, the PRC Government still exercises control over the Chinese economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. The PRC Government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, political or legal systems of China will not develop in a way that is detrimental to our business, financial condition, results of operations and prospects.

RISK FACTORS

Our business prospects, financial position and results of operations may be adversely affected by changes in political or social conditions in China, changes in laws, regulations or policies or the interpretation of laws, regulations or policies, measures which may be introduced to control inflation or deflation, changes in the rate or method of taxation, and imposition of additional restrictions on currency conversion and remittances abroad.

While the PRC Government has undergone various economic reforms in the last few decades, many of such reforms are of an experimental nature and are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our results of operations and financial condition.

Our brand is closely associated with Mr. Steve Leung.

Mr. Steve Leung is our founder and substantial Shareholder. Although he is not one of our Directors, Mr. Steve Leung is a director of our subsidiaries, mainly responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects. Mr. Steve Leung is an internationally renowned interior designer and had been elected as one of the 50 Most Influential Persons of the Year in 2017 by INTERNI and one of the 30 Most Influential Designers in 2015 by FORBES China. For further information about Mr. Steve Leung's biography, see "Directors and Senior Management".

Mr. Steve Leung had been closely associated with our Group since our establishment. During the Track Record Period, we secured five contracts, three contracts and four contracts with aggregated contract sums of HK\$6.1 million, HK\$6.7 million and HK\$6.0 million through Mr. Steve Leung, respectively. During the Track Record Period, Mr. Steve Leung was also directly involved in the creative design which included input in deliverables and attendance in project meetings, presentations and marketing events, of 49 contracts, 42 contracts and 22 contracts with aggregated contract sums of HK\$134.5 million, HK\$128.6 million and HK\$79.1 million, respectively. For FY2015, FY2016 and FY2017, these projects with Mr. Steve Leung's creative design involvement contributed HK\$79.5 million, HK\$104.0 million and HK\$84.7 million, representing 31.8%, 32.7% and 19.5% of our total revenue, respectively. Our Directors therefore consider that the development and growth in business and operations of our Group had relied on, among other things, Mr. Steve Leung, as one of the factors for a client to make its decision to engage us. If Mr. Steve Leung ceases to have involvement in our subsidiaries in the future, there could be an adverse impact to the business, results of operations and profitability of our Group.

RISK FACTORS

At the same time, due to the close association of Mr. Steve Leung with our Group, any negative publicity associated with Mr. Steve Leung or any of his associate or business may create a material adverse effect on our Group's reputation, business, growth prospects, results of operations and/or financial condition. As a result, our Group's reputation, business operations and financial performance may be adversely affected by the decisions, acts and activities of Mr. Steve Leung directly and indirectly.

We rely heavily on our interior designers and decorators.

We believe employing, motivating and retaining qualified and talented interior designers and decorators are critical to our success as an Interior Design Services and Interior Decorating & Furnishing Services provider. Our success depends in part upon (i) our ability to deliver quality designs through our interior designers and decorators; and (ii) our capacity to undertake more and larger scale projects. As such, we need to attract, retain and motivate a sufficient number of qualified and talented interior designers and decorators. According to the Frost & Sullivan Report, the average monthly salary of interior designers had increased over the years. Also, there is no assurance that the supply of interior designers and decorators will be sufficient in the forthcoming years.

We have implemented a number of employee recruiting and retention incentives to attract, retain and motivate a sufficient number of interior designers and decorators for our business operation and planned expansion. For details, see "Business – Employees".

If these incentives do not achieve the intended benefits generally or within our desired timeframe, or, if we cannot successfully implement any new incentives in the future, we may not be able to successfully recruit, motivate and retain a sufficient number of interior designers and decorators with the necessary qualifications at commercially reasonable costs, or at all. In addition, if there is labour shortage in the interior design and decorating services industry, the competition for qualified and talented interior designers and decorators could lead us to paying higher salary resulting in a significant increase in the staff costs, which our cost of operation will also increase, thus lowering our profitability. Failure to have and retain sufficient interior designers and decorators could delay our expansion plans or result in higher employee turnover, either of which could have a material adverse effect on our business and results of operations. For information relating to the increase in staff costs over the past years, see "Industry Overview".

RISK FACTORS

We rely on our management team in operating our business.

Our success relies, to a significant extent, on our ability to identify, employ, train and retain suitable, skilled and qualified employees, including management personnel with the requisite expertise. Majority of our executive Directors have more than 10 years of experience in the interior design and decorating services industry or in accounting and financial management, in particular Mr. Siu Man Hei, our Chief Executive Officer and executive Director, has over 26 years of experience in the architecture and interior design and decorating services industry and building industry. Our senior management members also have more than 10 years of experience in the interior design and decorating services industry or more than eight years in accounting and financial management. Further information about our management's experience is set out in "Directors and Senior Management". Our Directors believe that our success to date has largely been attributable to the contributions, commitment and experience of our management team and key personnel, in particular their familiarity with our business operations and their experience and different expertise. If any of our executive Directors or our senior management ceases to be involved in the management of our Group in the future and our Group is unable to find suitable replacement in a timely manner, there could be an adverse impact to the business, results of operations and profitability of our Group.

Majority of our revenue was derived from our residential projects awarded by property developers. We are therefore highly affected by the development and growth in our major clients' property development industry.

During the Track Record Period, over 70.0% of our total revenue were derived from residential projects with the clients typically being property developers in the PRC and Hong Kong with a prime focus on residential property projects. The demand for our services is driven by the need to showcase stylish show flats, club houses and public space of residential buildings to lure potential buyers who would like to improve their standard of living and lifestyle to buy residential properties being developed by our clients.

There have been concerns over the sustainability of the property market growth in the PRC and Hong Kong due to (i) the implementation of property market cooling measures; and/or (ii) weaker economic momentum in certain sectors of the PRC and Hong Kong economy. During the Track Record Period, part of our total revenue were derived from private residence projects for our individual private clients. While our business should be concentrated in primary market compared to the resale market, the volatility of the corresponding secondary property market prices would likely result in an impact for our private residence projects. In general if the property market slumps, we also expect that the overall private residence interior design and decorating services market will follow suit.

RISK FACTORS

If there is any change in market expectation on the property development industry, any adverse change in the government policies on the property market or there is a slowdown in the buying of residential properties by end users, demand in our services may be affected. Accordingly, our results of operations and financial performance are affected by the market expectation on and prospects of the property development industry. In the event that the development and growth of property development industry is not sustained or slows down, or there is any change in market expectation on our clients' industry, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Furthermore, interior design and decorating services demand from property developers exists because the property developers choose to outsource certain design and decoration functions. If these clients decide to undertake the interior design and decoration internally, this may result in fewer projects outsourced to interior design and decorating services providers such as ours. In such circumstances, a reduction in available projects may adversely affect the future growth in our revenue and our operations.

Negative publicity or damage to our business reputation may have potential adverse impact on our business.

Our Group heavily relies on our reputation and the reputation of our team as we generally obtain our projects through clients who have experience and understanding in our quality of design and works. According to the Frost & Sullivan Report, client referral for interior design and decorating services projects is common in the industry. Negative publicity associated with our Group and/or our team could result in the loss of clients or lead to increasing difficulty in securing new projects based on our Group's reputation. If any client who is not satisfied with our work, whether justified or not, raises any complaint regarding our Group which comes to the attention of the public, our existing or potential clients, the business, brand and reputation of our Group may be adversely affected, which will in turn, adversely affect our growth prospects and financial condition.

We generally do not enter into long-term agreements with our clients. Failure to obtain new contracts or to retain our existing clients could materially affect our financial performance.

During the Track Record Period, 87.3%, 71.5% and 70.4% of our revenue was contributed by our recurring clients. The contracts we undertake are generally on a non-recurring contract basis. Our success requires us to maintain our relationship with existing clients and to develop new relationship with potential clients. Our contracts with our clients generally do not include long-term obligations requiring them to use our services, and our contracts with our clients are generally on a project-by-project basis. As such, there is no guarantee that our clients will continue to engage us at the

RISK FACTORS

same volume of business, or at all, in the future or that we will be able to replace, in a timely or effective manner, departing clients with potential clients that deliver comparable level of revenue. We cannot guarantee that we will continue to secure new contracts from our existing clients after the completion of the existing contracts. Our Group may be required to go through a quotation process to secure new contracts. In the event that we are unable to maintain business relationship with our existing clients or unable to price our quotation to the satisfaction of our clients to secure contracts with new clients, our business and our revenue will be adversely affected. It is critical for our Group to secure new contracts of similar or larger value on a continual basis and to continue our business relationships with our existing clients, and should we fail to do so, the financial performance of our Group will be adversely affected.

Our clients generally pay us by way of instalments and there is no guarantee that the instalments would be paid to us on time and in full.

We normally receive instalment payment from our clients by referring to the stages of our services rendered, typically from execution of contract, concept design to completion of construction. As at 31 December 2015, 2016 and 2017, our amounts due from customers for contract works amounted to HK\$88.4 million, HK\$93.5 million and HK\$110.4 million, whereas our trade receivables amounted to HK\$22.6 million, HK\$38.1 million and HK\$49.0 million, respectively. For details, see “Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Trade and other receivables”. There can be no assurance that instalment payment will be paid to us on time and in full upon completion of our services. Any failure by our clients to make remittance on time and in full may have an adverse effect on our future liquidity position.

Our service fee may not be paid in full due to variation, suspension or termination of contracts.

Some of our projects may last for a long period of time and contain many inherent risks that could prevent the projects from being completed as originally planned. As at 31 December 2015, 2016 and 2017, contract sums attributable to suspended contracts amounted to HK\$56.0 million, HK\$104.8 million and HK\$58.7 million, respectively. The aggregate remaining outstanding amounts due from customers for contract works with contracts suspended as at 31 December 2017 amounted to HK\$6.4 million, of which provision of HK\$3.2 million was made. At the same time, our clients may vary the agreed scope of services during the contractual term, leading to change in the total agreed and/or estimated contract sum, or even termination of contracts. For details, see “Business – Business Model – Our major projects”.

RISK FACTORS

In general, we are not exposed to any liability of penalty if the contract is varied, suspended or terminated through no fault of our own. However, any variation, suspension or termination may have an adverse effect on our liquidity position because our service fee may not be paid in full.

We face certain risks relating to our leased properties.

As at the Latest Practicable Date, we had leased 12 properties in the PRC and four properties in Hong Kong. See “Business – Properties” for details. With respect to three leased properties in the PRC, our lessors had not provided us with the relevant building ownership certificates. Should dispute arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate. In such event, we may be unable to obtain new leases at desirable locations or on desirable terms. In addition, we may not be able to find suitable alternative premises. Further, we may incur additional costs arising from the relocation as well as business disruption. Therefore, our business, financial condition and results of operations may be adversely affected if we are unable to find suitable alternative premises or obtain new leases at desirable locations or on desirable terms in the event that we are required to vacate these properties.

We rely on our ability to successfully meet clients’ preference by delivering our interior designs and capture the market trend in a timely manner.

We mainly provided Interior Design Services and Interior Decorating & Furnishing Services during the Track Record Period. Our Directors believe that our success is, to a significant extent, attributable to our ability to capture the market trend in design and our responsiveness to changes in clients’ preference. Accordingly, our interior designs and decorations should target our clients, who are primarily property developers, which may vary from corporation to corporation.

Given the highly subjective nature of the interior design and decoration business and the rapid change in the market trend of interior design and decoration, there is no assurance that our services will continue be able to capture, anticipate or respond timely to our client’s preference, and introduce appealing and commercially viable design, our reputation, business and results of operations may be adversely affected.

If we fail to meet a specified standard or requirement, we may have to incur additional costs to remedy the defect for our clients, and our reputation and business could suffer.

Our clients typically require us to commit to standards such as design, safety or functional requirements. We may be required to rectify any design defect under the terms of our contracts, which could require us to incur additional costs. Any such design defect could also harm our reputation, which could hinder our ability to win

RISK FACTORS

future business. Moreover, a severe design defect could lead to incidents of personal injuries or property damages, which could result in expensive and time-consuming litigation and damages payments. There is no assurance that such failure will not occur in the future. If any of the foregoing events occur, our business and financial performance could be materially and adversely affected.

Inaccurate estimation of time and costs involved in our projects when providing fee quotes may affect our profitability.

Our Group needs to estimate the time and costs involved in providing Interior Design Services and Interior Decorating & Furnishing Services in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key design staff involved in the project, delays in providing the necessary services by our sub-consultants, delays in obtaining the necessary approvals in respect of the interior designs from the relevant government authorities or their appointed consultants, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our Group's direct margin and results of operations.

Risks associated with our computer hardware system and data storage.

Our services is substantially carried out through computers. Our Group has maintained an information technology support for the computer hardware and data storage. Our data are currently stored at servers situated at our premises in Hong Kong and the PRC and an off-site location with restricted access to authorised persons. The network computer system of our Group is vulnerable to the attack of computer virus, worms, trojan horses, hackers or other similar computer network disruptive problems, and our Group's back-up facilities may become malfunctioned in the event of physical breakdown of and damage to our computer hardware and data.

Any failure in safeguarding our computer network system from these disruptive problems will cause the breakdown of our computer network system and leakage of confidential information, including the designs of our Group, particulars of potential projects and information of our projects and our clients.

There is no assurance that our Group has sufficient ability to protect the computer hardware and data storage from all possible damage, including but not limited to, acts of nature, telecommunications breakdown, electricity failure or similar unexpected events. Any damage to our computer hardware and data will cause business interruption to our Group, and thus will directly and adversely affect our operating performance.

RISK FACTORS

We may not be able to obtain adequate financing for our business in the future.

We require substantial working capital for our daily business operations. During the Track Record Period, we utilised cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2015, 2016 and 2017, our bank borrowings repayable within one year were HK\$1.0 million, HK\$5.0 million and HK\$8.0 million, respectively. Our ability to raise additional capital will depend on our business performance, market conditions and overall economic climate. We are unable to assure you that we will be able to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner or at all in the future. If we are unable to obtain necessary financing or if we fail to obtain such financing on favourable terms due to factors beyond our control, we may be forced to curtail our expansion plans and our results of operations and financial condition may be materially and negatively affected.

For FY2015, FY2016 and FY2017, our finance costs was nil, HK\$0.2 million and HK\$0.1 million, respectively. If interest rate follows a rising trend in the future, our finance costs will increase accordingly, which could have an adverse effect on our results of operations and financial condition.

Our clients may delay in settlement of our bills, which may result in a material adverse impact on our business, financial conditions and results of operations.

As at 31 December 2015, 2016 and 2017, the aggregate amounts due from customers for contracts works and trade receivables amounted to HK\$111.0 million, HK\$131.5 million and HK\$159.4 million, respectively, representing 53.0%, 48.4% and 46.8% of our current assets, respectively. As at 31 December 2017, we had HK\$20.7 million of net trade receivables which was due more than 90 days from third parties. Our trade receivables turnover days changed from 40 days for FY2015 to 35 days for FY2016 to 37 days for FY2017. In addition, for FY2015, FY2016 and FY2017, our amounts written off as uncollectible was nil, HK\$0.1 million and HK\$69,000, our allowance recognised in profit or loss amounted to HK\$1.8 million, HK\$1.6 million and HK\$7.2 million, and our allowance for doubtful debts amounted to HK\$6.5 million, HK\$7.6 million and HK\$13.3 million, respectively. For details, see “Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Trade and other receivables”.

As a result, our business operations are subject to the risk of payment deferral by our clients. Our efforts in strengthening our trade receivables collection and management may be in vain and, we cannot assure you that we will be able to fully recover the outstanding amounts due from our clients, if at all, or that our clients will settle the amounts in a timely manner. If settlements by our clients are not made in full or in a timely manner, our business, financial conditions and results of operations will be adversely affected.

RISK FACTORS

Our insurance coverage may not be sufficient to cover all risks involved in our business operations.

We have taken out insurance policies to cover certain risks generally associated with our business operations. However, there are certain types of risks, such as acts of gods, for which insurance coverage is generally not available on commercially acceptable terms or at all. There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance coverage, we will have to bear all or a certain portion of such losses, damages or liabilities. In such circumstances, our business operations, results of operations and financial condition may be materially and adversely affected.

In addition, there is no assurance that our insurance premium will not increase or that we will not be required by law to obtain additional insurance coverage in the future. Any increase in insurance costs may materially and adversely affect our results of operations and financial condition.

Our Group has records of certain non-compliance of Hong Kong regulatory requirements.

There have been instances of non-compliance with certain Hong Kong regulatory requirements by our Group. These include non-compliance with the Inland Revenue Ordinance, details of which are set out in “Business – Compliance – Non-compliance with the Inland Revenue Ordinance”. According to our Legal Counsel, the maximum penalty for failure to submit Form IR56E in accordance with section 52(4) of the Inland Revenue Ordinance is a fine of HK\$10,000. If the relevant government authorities take enforcement actions against our Group and/or Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu, Ms. Fu, Mr. Steve Leung and Sino Panda fail to indemnify us to a sufficient extent or at all, we may be required to pay penalty or incur other liabilities, and our reputation, financial condition and results of operations may be adversely affected.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

During the Track Record Period, we had a service agreement in the ordinary course of business with a customer located in Myanmar. Myanmar is a jurisdiction that has historically been subject to a number of international sanctions programmes administered by the United States and other jurisdictions or organisations. While these

RISK FACTORS

programmes have been reduced considerably in recent years, there are a number of persons or organisations located in Myanmar that remain subject to targeted sanctions programmes, including being named on the Specially Designated Nationals and Blocked Persons List or the Sectoral Sanctions Identifications List maintained by OFAC. We implement “know your client” procedures and other means to assure that we do not engage in transactions that would subject us to any exposure under International Sanctions laws and regulations. However, we cannot predict the interpretation or implementation of government policy by the United States, or similar policies of other sanctions regulators in the European Union, the United Nations, Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in Myanmar or any other countries that may be or become subject to International Sanctions. Therefore, we can provide no assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the United States authorities or any other government. Our business and reputation could be adversely affected if the government of the United States, the European Union, the United Nations and Australia or any governmental entities were to determine that any of our activities constitutes violations of the sanctions they impose. In addition, because sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business activities or result in our business activities being deemed to have violated sanctions laws or being sanctionable. In the event our Group is deemed to violate sanctions laws in the future, our business operations and financial conditions may be adversely affected.

Legal disputes or proceedings may expose us to liabilities, divert our management’s attention and adversely impact our reputation.

During the ordinary course of our business operations, we may be involved in legal disputes or proceedings relating to, among other things, contractual disputes, employees’ claims and labour disputes. Such legal disputes or proceedings may subject us to substantial liabilities and may have a material and adverse effect on our reputation, business operations and financial condition.

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal expenses and our management may need to devote significant time and attention to handle such proceedings and disputes, diverting their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may adversely affect our financial condition and results of operations.

RISK FACTORS

The trend of our historical financial information may not necessarily reflect our financial performance in the future.

For FY2015, FY2016 and FY2017, our revenue amounted to HK\$249.9 million, HK\$318.6 million and HK\$434.8 million, respectively, and our profit for the year amounted to HK\$33.2 million, HK\$60.2 million and HK\$73.6 million, respectively.

However, the trend of our historical financial information is a mere analysis of our past performance and does not have any positive implication on and may not necessarily reflect our future financial performance. Our future financial results may fluctuate from period to period due to a variety of factors which may be beyond our control, including, the general market conditions, specific events or regulations in the PRC and Hong Kong and our capability to secure new contracts and control costs. There is no assurance that our short-term operating results are indication of our long-term prospects.

The application of HKFRS 16 may affect our financial position and results of operations due to our operating lease arrangements.

We are a lessee of office premises under which the relevant leases are classified as operating leases. As at 31 December 2017, we as a lessee had non-cancellable operating lease commitments of HK\$59.7 million as disclosed in note 32 of the Accountants' Report in Appendix I to this prospectus. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence we will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. As we are planning to expand our offices, these new provisions for accounting treatment of leases are potentially relevant to our financial statements. It is expected that we will have to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that a certain portion of the future minimum lease payments under our operating leases will be required to be recognised in our consolidated statements of financial position as right-of-use assets and lease liabilities. We will also be required to remeasure the lease liabilities upon the occurrence of certain events, such as a change in the lease term, and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

RISK FACTORS

Our business may be affected by downturns in the economy, economic uncertainty and other factors affecting discretionary consumer preference.

An extended economic downturn or continued uncertainty in global and regional economies could negatively affect demand for Interior Design Services and Interior Decorating & Furnishing Services we offer. Changes in discretionary consumer spending or consumer preferences could be driven by factors such as perceived or actual economic conditions, a weakening job market, an actual or perceived decrease in disposable consumer income and wealth or the rise of e-commerce. These and other factors have in the past reduced consumer spending and affected the retail, restaurant and tourism industries, which indirectly reduce the demand for our services as our clients are mainly property developers, individual private clients, restaurant operators, hotel developers and operators, well-known furniture and lifestyle product brands and other private corporations. As a result, our operating revenues, business, results of operations and financial conditions will be adversely affected, and if we are not successful in responding to future changes in consumer spending trends, such factors could further affect our future prospects.

In addition, if there is a recurrence of global financial crisis, there will be a decline in the global economy which may adversely affect the business and financial condition of our clients who may hold back expansion or interior design and/or decoration projects. As such, we may not be able to obtain and secure new overseas projects from our clients. As a result, our operating revenues, business, results of operations and financial conditions will be adversely affected.

The expansion of our Interior Decorating & Furnishing Services may adversely affect our gross profit margin.

As part of our business strategies, we plan to further develop our Interior Decorating & Furnishing Services. However, there is no guarantee that our overall gross profit margin would not be adversely affected by such expansion plan. During the Track Record Period, while both our revenue and gross profit generated through the provision of Interior Decorating & Furnishing Services increased, the gross profit margin decreased from 67.6% for FY2015, 41.4% for FY2016 to 17.3% for FY2017. Even if the operation and cost structure of our Interior Decorating & Furnishing Services mature and stabilise, there is no assurance that, as our Interior Decorating & Furnishing Services further expands, the gross profit margin of Interior Decorating & Furnishing Services would increase, or that our overall gross profit margin would improve.

RISK FACTORS

There is no assurance that our business strategies and future plans will be successfully implemented.

The successful implementation of our business strategies and future plans may be hindered by risks set out in this section and is subject to numerous factors, including but not limited to:

- our ability to adapt to changing industry and market trends;
- the availability of management and financial resources;
- our ability to retain our existing clients and recruit new ones;
- our ability to negotiate favourable terms with our suppliers;
- our ability to employ, train and retain interior designers and decorators;
- the increase in staff costs; and
- our ability to generate sufficient revenue to cover our indebtedness, costs or contingent liabilities that may be associated with our expansion.

For details of our business strategies and future plans, see “Business – Business Strategies” and “Future Plans and Use of Proceeds”.

There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will successfully increase our market share or enhance our market position.

RISKS RELATING TO OUR INDUSTRY

Our business may suffer if we do not respond effectively to changes in regulatory and industry standards.

Our success will depend, in part, on our ability to keep up with the pace of changing standards in the market we serve. At present, in accordance with the PRC and Hong Kong laws and regulations, save for the registration of foreign trading operators (對外貿易經營者備案登記表) and the engineering design qualification certificate (工程設計資質證書), we are not required to hold any other industry-specific permit, licence, approval, certificate or qualification in order to carry on our business operations in the PRC and Hong Kong.

RISK FACTORS

However, there is no assurance that the PRC Government or the Hong Kong Government will not impose additional or stricter laws or regulations on the interior design and decorating services industry in the future. If we do not respond successfully to changes in the regulatory, as well as evolving industry standards, our clients are likely to seek more qualified service providers who are able to respond more effectively to changes in the regulatory standards and better meet their demand. Any such additional or stricter laws or regulations may also lead to increase in compliance costs. In such events, our business and results of operations may be materially affected.

We face keen competition in our industry in the PRC and Hong Kong.

Our Group competes with other interior design and decorating services companies, primarily in Hong Kong and the PRC that provide services similar to that of our Group.

According to the Frost & Sullivan Report, the interior design and decorating services industry, either in the PRC or Hong Kong, is highly competitive and fragmented. In order to survive, market participants may have to, not only come up with new creative designs and skills, but also cut their prices and sacrifice their profit in order to successfully secure projects. In addition, given that the industry is relatively less labour intensive and does not require a large amount of capital for plant and machinery acquisition, we believe that the entry barrier to our business is low and accordingly we may face keen competition in the future if there are new comers who are able to offer services of higher quality at lower prices. If we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Government control of currency conversion could affect our business and limit our ability to utilise our capital effectively.

We received a substantial part of our revenue in Renminbi during the Track Record Period. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

RISK FACTORS

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuations in exchange rates and the value of the Renminbi could have material adverse effect on our financial condition and results of operations.

A substantial part of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. The value of the Renminbi against the U.S. dollars, Hong Kong dollars and other currencies fluctuates, and is subject to changes resulting from the PRC Government's policies, domestic and international economic and political developments as well as supply and demand in the monetary market. Since July 2005, the PRC Government has adopted a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and with reference to a basket of currencies. In April 2012, the PBOC enlarged the floating band for the trading price of Renminbi against U.S. dollars on the interbank spot exchange market to 1.0% around the central parity rate. In March 2014, the PBOC further enlarged the floating band for the trading price of Renminbi against U.S. dollars on the interbank spot exchange market to 2.0% around the central parity rate. There remains significant international pressure on the PRC Government to adopt more flexible currency policies. In the event of significant change in the exchange rates of Hong Kong dollars and U.S. dollars against Renminbi, our ability to pay dividends in foreign currencies may be materially and adversely affected.

Fluctuations in the exchange rate of Renminbi against Hong Kong dollars and U.S. dollars will affect the relative purchasing power in Renminbi with the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollars or U.S. dollars would affect our financial results in Hong Kong dollars without giving effect to any underlying change in our business or results of operations.

RISK FACTORS

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of the Global Offering to make additional capital contributions or loans to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, we may make additional capital contributions or loans to our PRC subsidiaries. Any capital contribution or loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, any of our loans to our PRC subsidiary cannot exceed the difference between the total amount of investment of which our PRC subsidiary is approved to make under relevant PRC laws and the registered capital of our PRC subsidiary, and such loans must be registered with the local branch of the SAFE. In addition, our capital contributions to our PRC subsidiary must be registered with the Ministry of Commerce or its local counterpart.

There is no assurance that we will be able to complete or obtain the necessary government registrations or approvals in a timely manner, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may materially and adversely affect their ability to fund their working capital and expansion projects as well as meet their obligations and commitments.

Companies having business in China may be classified as a “resident enterprise” for EIT purposes, and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25% EIT rate on their global income. Under the implementation rules to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. However, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. A tax circular issued by the State Administration of Taxation on 22 April 2009 (the “**Circular 82**”) provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as “resident enterprises” if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. On 27 July 2011, the

RISK FACTORS

State Administration of Taxation issued the Measures for Administration of Income Tax of Chinese-Controlled Resident Enterprises Incorporated Overseas (Trial) (“**Circular 45**”) to supplement Circular 82 and other tax laws and regulations. Circular 45 clarifies certain issues relating to resident status determination. On 29 January 2014, the State Administration of Taxation issued the Circular on Issues Concerning Determination of PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“**Circular 9**”), Circular 9 amended some clauses of Circular 82.

If we are considered as a PRC tax resident enterprise for PRC tax purposes, we will be subject to a uniform 25% EIT rate as to our global income as well as tax reporting obligations. In addition, we cannot assure you that such dividends, which would normally qualify as “tax-exempted income” under applicable rules, will not be subject to a 10% withholding tax, as no guidance has been issued by the PRC taxation authorities with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Furthermore, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

In February 2015, the State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**Circular 7**”), which provides comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”).

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the

RISK FACTORS

income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

We are a holding company and rely principally on dividend payments from our subsidiaries in the PRC for funding.

We are incorporated in the Cayman Islands and rely on dividends paid by our PRC subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict dividends or other distributions from our PRC subsidiaries to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their accumulated retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their statutory reserves in accordance with the requirements of relevant PRC laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness.

Our operations in the PRC may be subject to the uncertainties of the PRC legal system.

As part of our operations is conducted in the PRC, we are governed by the PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretations by the Supreme People's Court of the PRC. As such, prior court decisions have limited precedential value.

In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations, governing economic matters in general, and such legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in the PRC in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. However, these laws, regulations and law requirements are relatively new and subject to frequent changes and their interpretations and enforcement involve uncertainties.

RISK FACTORS

As there may be changes in the PRC legal system in the future, we may not be able to adapt our operations to the changes in a timely manner, which in turn may adversely affect our operations and financial condition.

It may be difficult to effect service of process in relation to disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Part of our assets are located in the PRC. As the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgement made by courts of most other jurisdictions, there is no assurance that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgement. The arrangement came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Recent measures of the Hong Kong Government may have material adverse effect on the demand of our service.

The Hong Kong Government has introduced certain measures which may curb speculation or reduce transaction volume in the property market. For instance, the imposition of special stamp duty and buyer's stamp duty has increased the transaction cost of purchases of residential properties and may deter potential property buyers and investors from acquiring residential properties. Efforts by the Hong Kong Government to slow down the pace of growth of the property market in Hong Kong may negatively affect the market and consequently impede the growth of the local property development industry. Measures that were introduced and those that may be introduced by the Hong Kong Government may lead to severe changes in market conditions and decreased demand for, properties in Hong Kong, and in turn affect the property development market. Any weakening in the Hong Kong property development sector could affect the demand for our services.

RISK FACTORS

Economic, political and social considerations.

Our performance and financial conditions depend on the state of economy in Hong Kong. Our revenue attributable to the Hong Kong market accounted for 19.5%, 12.3% and 8.6% of our Group's total revenue for FY2015, FY2016 and FY2017, respectively. If there is a downturn in the economy of Hong Kong, our results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements such as occupation activities may also affect the state of economy in Hong Kong and in such case, our Group's operations and financial position may also be adversely affected.

Hong Kong is a special administrative region of the PRC. It enjoys a high degree of autonomy under the principle of "one country, two systems" in accordance with the Basic Law of Hong Kong. However, we are not in any position to guarantee the same principle and the level of autonomy would be maintained as currently in place. Since our headquarters are located in Hong Kong, any change of Hong Kong's existing political environment may affect the stability of the economy in Hong Kong, thereby affecting our results of operations and financial positions. Any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Devaluation of the Hong Kong dollars could affect our financial conditions and results of operations.

Since 17 October 1983, Hong Kong dollars have been pegged to the U.S. dollars at a rate of HK\$7.80 to US\$1.00. There is no indication that the Hong Kong Government intends to cancel or change the pegged exchange rate arrangements. However, in the event that such arrangements shall change or the valuation of U.S. dollars shall become volatile in the international currency markets, valuation of Hong Kong dollars may be significantly affected or may even experience devaluation. At present, our functional currency include Hong Kong dollars and part of our expenses and/or certain FF&A sourced from other countries is incurred in currencies other than Hong Kong dollars. In case of devaluation of Hong Kong dollars by whatever reason, our financial performance and liquidity positions may be adversely affected and our expenses incurred may drastically increase as a result.

RISK FACTORS

Our business may be adversely affected by further increases in interest rates and the availability of mortgage financing.

An increase in interest rates and any further increases in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of properties in Hong Kong. The Hong Kong Government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. If the availability or attractiveness of mortgage financing is reduced or limited that affect adversely the property market, our business, liquidity and results of operations could be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Global Offering, no public market for the Shares existed. Following completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will be traded in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares will be determined by agreement among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following completion of the Global Offering. If an active trading market for the Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The price and trading volume of our Shares may be volatile and could fluctuate significantly as a result of the following factors, among others, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;

RISK FACTORS

- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation or regulatory investigations; and
- changes in general economic and stock market conditions.

Any of these broad market may result in substantial and sudden changes in the price and trading volume of the Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period, and holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins due to adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The interests of the Controlling Shareholders may conflict with the best interests of the other Shareholders.

Immediately upon completion of the Global Offering, the Controlling Shareholders will in aggregate beneficially own 52.50% of our issued Shares, without taking into account the Shares which may be issued upon exercise of the Over-allotment Option. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. The interests of the Controlling Shareholders may not always coincide with our Company's or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or the Shareholders, or if the Controlling Shareholders choose to cause our Company to pursue strategic objectives that conflict with the interests of our Company or the Shareholders, you may be disadvantaged as a result.

RISK FACTORS

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market upon completion of the Global Offering, or the perception that these sales could occur, may adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

Although the Shares owned by our Controlling Shareholders are subject to certain lock-up periods, we cannot assure you that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods. Any major disposal of our Shares by any of such Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that such disposals may occur) may cause the prevailing market price of our Shares to fall, which could negatively impact our ability to raise equity capital in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, distributable profits as determined under the PRC GAAP or HKFRSs, our Articles of Association, the applicable laws and regulations, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Shareholders' interests in our Company may be diluted in the future.

Our Company may issue additional Shares upon exercise of any option which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, (i) the percentage ownership of existing Shareholders may be reduced and they may experience subsequent dilution and reduction in their earnings per share; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Facts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or Independent Third Parties that our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or the Shares. In making decisions as to whether to invest in the Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

THIS HONG KONG PUBLIC OFFERING AND THE PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. See “How to Apply for Hong Kong Offer Shares and Employee Reserved Shares” and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

See “Structure and Conditions of the Global Offering” for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See “Underwriting” for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

No action has been taken to permit a 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 an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 5 July 2018.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and we complying 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 as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB and US\$ amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB and US\$ into Hong Kong dollars and vice versa have been made at the rate of RMB1.0 to HK\$1.2 and US\$1.0 to HK\$7.8 in this prospectus, respectively.

No representation is made that any amount in RMB, US\$ or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Members of our Group have entered into certain connected transactions, which are expected to continue after Listing. One of such transactions will constitute non-fully exempt continuing connected transactions under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of such transactions. For details, see “Connected Transactions”.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Siu Man Hei (蕭文熙)	Flat A, 22/F Skylight Tower 64 Bonham Road Hong Kong	Chinese
Yip Kwok Hung Kevin (葉珽鴻)	Unit C, 10/F No. 20 Nassau Street Mei Foo Sun Chuen Kowloon	Chinese
Ding Chunya (丁春亞)	Unit 1, 3/F A7-3 Block A7 Haidebao Xiaoqu Qi Jia Zhen Ling Shang Cun Changping District Beijing PRC	Chinese
Kau Wai Fun (裘慧芬)	Flat D, 20/F, Block 2 Majestic Park 11 Farm Road Kowloon	Chinese
Non-Executive Directors		
Xu Xingli (許興利)	Unit 2-303 Block 7 Lvgang Jia Yuan Er Qu Shunyi District Beijing PRC	Chinese
Xie Jianyu (謝健瑜)	Flat G, 40/F Block 3 La Cite Noble 1 Ngan O Road Tseung Kwan O New Territories	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-Executive Directors

Tsang Ho Ka Eugene (曾浩嘉)	Flat C, 31/F Tower 2 The Waterfront 1 Austin Road West Tsim Sha Tsui Kowloon	Chinese
Liu Yi (劉翊)	Unit 1510 Block 18 Ganjiakou Subdistrict Haidian District Beijing PRC	Chinese
Sun Yansheng (孫延生)	Unit 6-902 Block 4 Fugui Yuan Nanli Yi Qu Donghuashi Street Dongcheng District Beijing PRC	Chinese

See “Directors and Senior Management” for further information.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Dongxing Securities (Hong Kong) Company Limited

A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

6805-6806A, 68/F, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Dongxing Securities (Hong Kong) Company Limited

A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities

6805-6806A, 68/F, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

China Securities (International) Corporate Finance Company Limited

A corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

18/F Two Exchange Square

8 Connaught Place Central

Hong Kong

China Merchants Securities (HK) Co., Limited

A corporation licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
48/F One Exchange Square
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

A corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
26/F-28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Pinsent Masons

50th Floor, Central Plaza
18 Harbour Road
Hong Kong

As to PRC law:

An Xin Law Firm

17/F, China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing 100032
China

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to International Sanctions law:</i> Hogan Lovells 11th Floor One Pacific Place 88 Queensway Hong Kong</p>
Legal advisers to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong</p> <p><i>As to PRC law:</i> Shu Jin Law Firm 12/F., Taiping Finance Tower 6001 Yitian Road, Futian District Shenzhen PRC</p>
Auditors and reporting accountants	<p>Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong</p>
Internal control consultant	<p>BakerTilly Hong Kong Risk Assurance Limited 2nd Floor, 625 King's Road North Point Hong Kong</p>
Industry consultant	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai PRC</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Professional valuer**Asset Appraisal Limited**

Room 901, 9/F

On Hong Commercial Building

145 Hennessy Road

Wanchai

Hong Kong

Receiving bank**DBS Bank (Hong Kong) Limited**

11/F, The Center

99 Queen's Road Central

Central, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	30/F Manhattan Place No. 23 Wang Tai Road Kowloon Bay Kowloon Hong Kong
Company's website	www.sldgroup.com <i>(The contents on this website do not form part of this prospectus)</i>
Company secretary	Cheung Henry (張樂庭) (HKICPA) Flat 1309, 13/F Oi Tao House Tin Oi Court Tin Shui Wai New Territories Hong Kong
Authorised representatives	Yip Kwok Hung Kevin (葉珽鴻) Unit C, 10/F No. 20 Nassau Street Mei Foo Sun Chuen Kowloon Cheung Henry (張樂庭) Flat 1309, 13/F Oi Tao House Tin Oi Court Tin Shui Wai New Territories Hong Kong
Audit committee	Tsang Ho Ka Eugene (曾浩嘉) (Chairman) Liu Yi (劉翊) Sun Yansheng (孫延生)

CORPORATE INFORMATION

Remuneration committee	Sun Yansheng (孫延生) (<i>Chairman</i>) Xu Xingli (許興利) Tsang Ho Ka Eugene (曾浩嘉)
Nomination committee	Xu Xingli (許興利) (<i>Chairman</i>) Sun Yansheng (孫延生) Tsang Ho Ka Eugene (曾浩嘉)
Risk management committee	Tsang Ho Ka Eugene (曾浩嘉) (<i>Chairman</i>) Yip Kwok Hung Kevin (葉珽鴻) Cheung Henry (張樂庭)
Cayman Islands principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Hang Seng Bank (China) Limited (Beijing Branch) 18/F, South Tower Beijing Kerry Centre No. 1, Guanghua Road Chaoyang District Beijing PRC

CORPORATE INFORMATION

**China Construction Bank (Asia)
Corporation Limited**

28/F
CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Bank (Hong Kong) Limited

11/F, The Center
99 Queen's Road Central
Central, Hong Kong

Dah Sing Bank Limited

35/F Everbright Centre
108 Gloucester Road
Hong Kong

INDUSTRY OVERVIEW

The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Sole Sponsor, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

We commissioned Frost & Sullivan, an independent market researcher and consultant, to produce a report on the interior design and decorating services industry in the PRC and Hong Kong at a fee of RMB835,000. Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Frost & Sullivan Report includes information on data of the PRC and Hong Kong interior design and decorating services market.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered certain industry key drivers.

In preparing the Frost & Sullivan Report, Frost & Sullivan has adopted a market engineering forecasting methodology which integrates several forecasting techniques with its market engineering measurement-based system. It relies on the expertise of its analyst team in integrating the critical market elements investigated during the research phase of the Frost & Sullivan Report. These elements include: expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

INDUSTRY OVERVIEW

The bases and assumptions for the projections in the Frost & Sullivan Report include the following: (i) the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the China and Hong Kong interior design and decorating services market; and (ii) the related industry key drivers are likely to drive the interior design and decorating services market in the forecast period, such as the increasing disposable income, rising investment in real estate market, and upgrade demand of good living condition in China and Hong Kong, etc..

Based on the above, our Directors and the Sole Sponsor consider that the payment of the commission fee does not affect the fairness of conclusion drawn in the Frost & Sullivan Report and are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading. Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

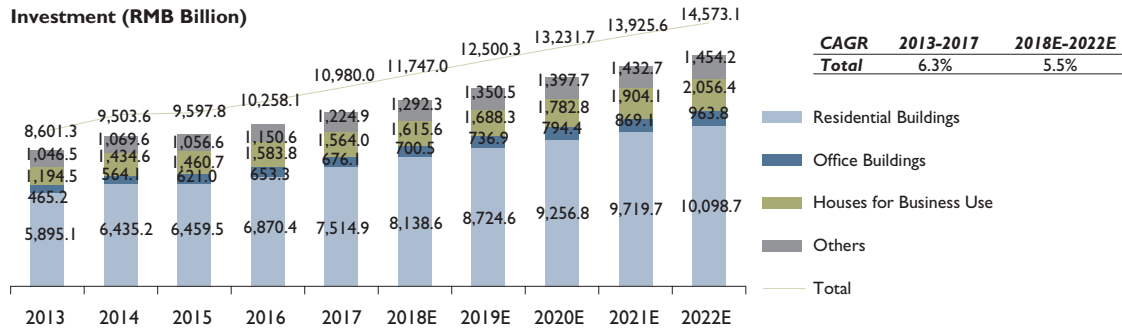
MACRO ECONOMY OF CHINA AND HONG KONG

Driven by a series of economic stimulus policies including the Revitalisation Plans of Ten Key Industries and “One Belt, One Road”, China’s nominal GDP registered a relatively robust growth at a CAGR of 8.6%, expanding from RMB59.5 trillion in 2013 to RMB82.7 trillion in 2017. Simultaneously, nominal GDP per capita of China increased from RMB43.7 thousand in 2013 to RMB59.5 thousand in 2017, recording a CAGR of 8.0%. Hong Kong experienced a gradual increase in nominal GDP from HK\$2,138.0 billion in 2013 to HK\$2,662.6 billion in 2017, representing a CAGR of 5.6%. Frost & Sullivan projected that the nominal GDP will continue a steady growth in the coming five years, representing a CAGR of 4.1% from HK\$2,825.1 billion in 2018 to HK\$3,317.2 billion in 2022. Largely driven by the increasing private consumption of goods and services, nominal GDP per capita in Hong Kong is expected to increase from HK\$379.3 thousand in 2018 to HK\$435.3 thousand in 2022 at a CAGR of 3.5%.

Real Estate Market of China: Mainly as a result of the rapid urbanisation process and the strong investment appetite in real estate, investment in real estate development in China sprouted from RMB8,601.3 billion in 2013 to RMB10,980.0 billion in 2017 at a CAGR of 6.3%. Noticeably, decelerations of the investment in private residence occurred during the period, which is implicated by a series of governmental intervening measures including the House Purchasing Restriction policies. Moving forward, due to the volatile stock market as well as restless commodity market, real estate market is considered as one of the most secured and fast growing investment hotspots in China. A steady growth at a CAGR of 5.5% is expected, as an increase from RMB11,747.0 billion in 2018 to RMB14,573.1 billion in 2022 is estimated. With further expansion of real estate investment, interior design and decorating services market is considered as one of the major beneficiaries of the encouraging outlook of the real estate market.

INDUSTRY OVERVIEW

Investment Completed for Real Estate Development in China, 2013 to 2022E

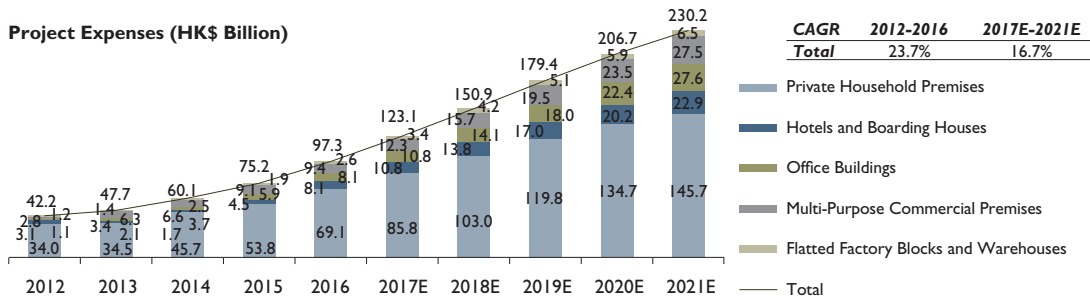


Note: Real estate development projects include residential buildings, office buildings, houses for business use such as restaurants and shopping malls, and other projects such as parks and sports stadiums.

Source: National Bureau of Statistics of China; Frost & Sullivan

Real Estate Market of Hong Kong: Private real estate project expenses in Hong Kong doubled from HK\$42.2 billion in 2012 to HK\$97.3 billion in 2016, at a CAGR of 23.7%, which was largely driven by the growth in private residence segments. Due to the continuously increasing requirements on the building qualities, the total private real estate project expenses in Hong Kong is expected to increase from HK\$123.1 billion in 2017 to HK\$230.2 billion in 2021 at a CAGR of 16.7%, creating a stable environment and support for its downstream markets, including the interior design and decorating services market.

Private Real Estate Project Expenses in Hong Kong, 2012 to 2021E



Note: Private real estate projects comprise the private premises deemed completed by virtue of the issue of an occupation permit, which include private residential premises, hotels and boarding houses, private office premises, multi-purpose commercial premises, as well as private industrial premises such as flatted factories and warehouses.

Source: Census and Statistics Department of Hong Kong; Frost & Sullivan

INTERIOR DESIGN AND DECORATING SERVICES MARKET IN CHINA AND HONG KONG

Definition and Classification

Interior design and decorating services market refers to the market involved in the provision of professional interior design and decoration services to visually and functionally enhance and to optimise the ambience of the interior space within properties. Interior design and decoration includes a specific scope of design and decoration activities performed by professional design and decorating practitioners, usually with the outputs of design drawings and plans as well as post-design consultancy and supervisory services.

INDUSTRY OVERVIEW

In general, interior design and decorating services market can be divided into three major segments based on the type of properties: (i) residential projects; (ii) mixed-use projects, which include offices, shopping mall, restaurants, hotels, etc; and (iii) private residence projects. Interior design and decorating services usually consist of two major parts, namely interior design services and interior decorating services. In the market, interior design services typically refer to the designing of Interior Space (the typical immovable components within a property) to create a functional layout. Interior decorating services typically refer to the decorating and furnishing of the resulting functional layout created through interior design services with movable FF&A, such as furniture, decorative lightings, curtains, carpets, signage, artworks, sculptures, etc..

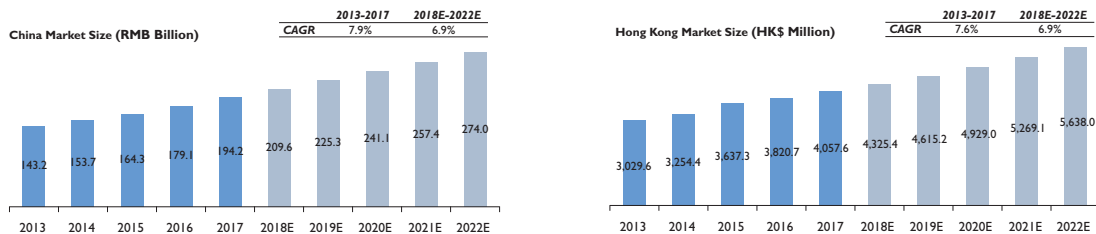
Value Chain of Interior Design and Decorating Services Market

The value chain of interior design and decorating services usually involves in three key stakeholders, namely property developers, interior design and decorating service companies and buyers or end users. Interior design and decorating service companies generally work with either property developers or end users to provide customised interior design and decorating services. Sub-consultants with specialist expertise in design over lighting, M&E, architecture, etc., may also be involved in the process and collaborate with interior design and decorating service companies due to the need of specialisation and upon the request of clients.

Interior Design and Decorating Services Market

Benefiting from the urbanisation process in China as well as the constantly improving income level, needs for real estate property as well as better user experience and aesthetical attractiveness have driven the growth in the interior design and decorating services market in China, expanding from RMB143.2 billion in 2013 to RMB194.2 billion in 2017 at a CAGR of 7.9% in terms of revenue. The growth momentum of interior design and decorating services market is expected to be consistent from 2018 to 2022 due to the constant growing real estate market in China as well as the increasing demand of renovation projects. Accordingly, it is estimated that the size of interior design and decorating services market in China will rise from RMB209.6 billion in 2018 to RMB274.0 billion in 2022 at a CAGR of 6.9%.

Interior Design and Decorating Services Market Size by Revenue, 2013 to 2022E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Contributing 52.3% to the overall interior design and decorating services market in China, private residence segment recorded a value of RMB101.5 billion in 2017, due to the sizeable need driven by the large number of newly completed private residences. In addition, the remaining approximately RMB87.1 billion and RMB5.6 billion is estimated to be the interior design and decorating services market size for mixed-use and residential segment in 2017, consisting 44.8% and 2.9% of the total interior design and decorating services market size in China, respectively. The expected CAGR for the residential segment in China is 7.3% from 2018 to 2022.

Given that the real estate market presented a stable growth in the past five years, interior design and decorating services market size in Hong Kong correspondingly witnessed a steady increase from HK\$3,029.6 million in 2013 to HK\$4,057.6 million in 2017, representing a CAGR of 7.6%.

The increasing number of renovation projects is considered as one of the major driver for the further expansion of the market. As a result, the total market size for interior design and decorating services market in Hong Kong is forecasted to expand from HK\$4,325.4 million in 2018 to HK\$5,638.0 million in 2022 at a CAGR of 6.9%.

In 2017, private residence segment which recorded HK\$2,807.8 million was the largest segment in the interior design and decorating services market in Hong Kong with a 69.2% contribution. Benefiting from the fact that Hong Kong is one of the major financial and business hub in the region, mixed-use segment accounted for 27.3% of the total market size of interior design and decorating services in 2017, registering the market size of HK\$1,107.7 million. Limited by the number of projects, 3.5% of the interior design and decorating services market size consisted of residential segment, recording a total value of HK\$142.0 million. The expected CAGR for the residential segment in Hong Kong is 6.8% from 2018 to 2022.

Interior Design and Decorating Services Market Breakdown by Segments in 2017

	Hong Kong			China		
	Private residence	mixed-use <i>(Note)</i>	Residential	Private residence	mixed-use <i>(Note)</i>	Residential
Market size	HK\$2,807.8 Million	HK\$1,107.7 Million	HK\$142.0 Million	RMB101.5 Billion	RMB87.1 Billion	RMB5.6 Billion
Market share	69.2%	27.3%	3.5%	52.3%	44.8%	2.9%

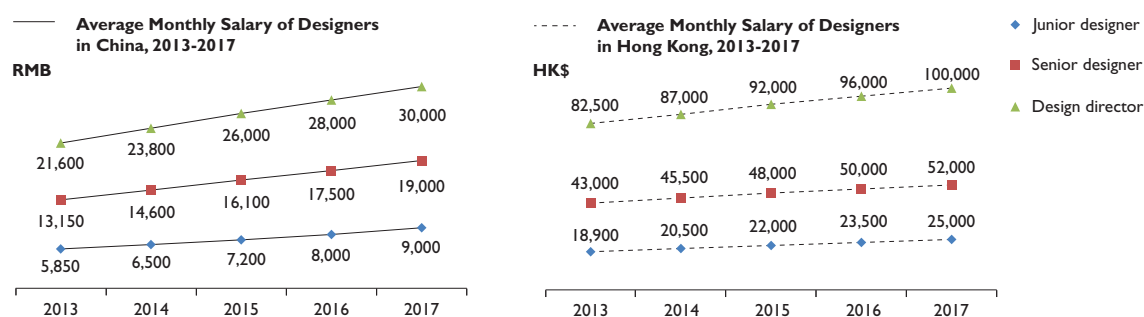
Note: Mixed-use include commercial such as office and shopping malls, and hospitality development such as hotel and restaurants.

INDUSTRY OVERVIEW

Interior Designer Salary in China and Hong Kong

Junior interior designers are mainly responsible for meeting scheduling, documentation, and assisting senior interior designers with design concepts. A junior interior designer usually has one to three years' working experience. Senior interior designers are responsible for preparing and developing drawings, models, images and other documents relating to the interior design. They may also coordinate the design team for the project as project managers. A senior interior designer is required to have over five years of experience as an interior designer. Design director is responsible for managing and overseeing the design team across multiple disciplines and ensuring compliance. They create interior design strategies with other departments for pricing, safety, and delivery assurance. A design director usually has over ten years of experience.

Staff cost is considered as the most essential cost component comparing to other operational costs for interior design and decorating services companies. In the period of 2013 to 2017, the average monthly salary of interior designers increased stably in China and Hong Kong, as illustrated in the following tables.



Source: Frost & Sullivan

Price Range of Interior Design and Decorating Services in China and Hong Kong

The average price ranges of interior design and decorating services vary substantially among different types of projects based on demands of clients. International interior design companies usually charge at premium prices for the high quality interior design services. Our Group generally targets at the high-end interior design and decorating services market by generally charging at premium prices for various categories of projects.

	China		Hong Kong	
	Ordinary RMB/m ²	Premium RMB/m ²	Ordinary HK\$/m ²	Premium HK\$/m ²
Private residence	70-170	300-600	400-800	1,500-2,500
Residential	500-950	1,500-2,500	1,000-1,600	1,800-2,800
Restaurant	450-950	1,200-2,700	800-1,400	1,500-2,800
Commercial	250-500	600-1,200	350-600	800-1,500

INDUSTRY OVERVIEW

SPECIALISED INTERIOR DESIGN AND DECORATING SERVICES MARKET

The interior design and decorating services generally serve regular properties such as private residence, office, shopping mall, etc., whereas the specialised interior design and decorating services market provides interior design and decorating services to specialised buildings including hospital and public facilities such as transportation centre, park and museum. The two markets are parallel and are differentiated based on the specific functions of properties.

Largely stimulated by the 12th Five-Year-Plan and the improving living qualities in China, city infrastructure development witnessed rapid growth in the past few years. The specialised interior design and decorating services market size reached RMB16.3 billion in 2017, expanding from RMB11.5 billion in 2013 at a CAGR of 9.2%. Implicated by the slowdown of overall real estate market and mainly driven by the increasing demand for infrastructure developments in the tier-3 and tier-4 cities in China, it is forecasted the market size of specialised interior design and decorating services would increase in a gentler pace at a CAGR of 8.2%, from RMB17.8 billion in 2018 to RMB24.4 billion in 2022.

Market size of the specialised interior design and decorating services in Hong Kong increased from HK\$318.1 million in 2013 to HK\$442.3 million in 2017 at a CAGR of 8.6%, largely driven by the projects from public sector initiated by the Urban Renewal Strategy as well as the growing need of infrastructure upgrades. Moving forward, it is projected the market size of specialised interior design and decorating services will continue to grow robustly, from HK\$475.8 million in 2018 to HK\$642.7 million in 2022, representing a CAGR of 7.8%. Despite the volatile investment environment, need driven by renovation projects of specialised buildings for the elderly is deemed as one of the most important drivers for the specialised interior design and decorating services in Hong Kong.

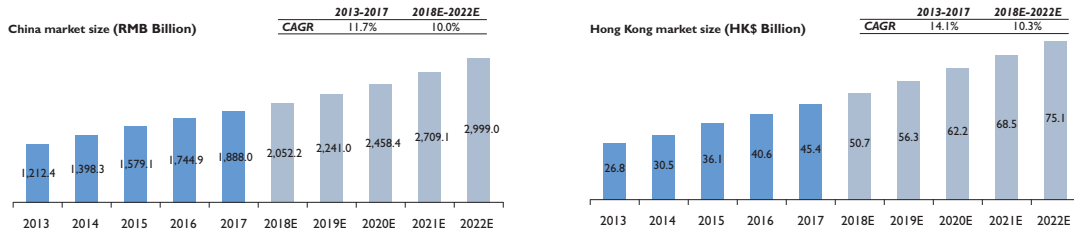
INTERIOR DECORATIVE PRODUCT MARKET

Interior decorative products market, together with interior design and decorating services market consists of two parallel markets of the upper-tier industry and refers to the retail market of FF&A. In 2017, the interior decorative product market reached RMB1,888.0 billion, increasing at a CAGR of 11.7% from 2013 to 2017. Along with further development of commercial and property market in China, demand of interior decorative products is expected to increase and become more sophisticated. High quality interior decorative products consolidated with good functionality and appearance are expected to gain more popularity in the market.

INDUSTRY OVERVIEW

The interior decorative product market in Hong Kong is relatively more mature than that of the PRC market in terms of the overall quality of products and people's willingness in purchasing premium decorative products. As of 2017, the Hong Kong market reached HK\$45.4 billion by sales value and is expected to reach HK\$75.1 billion by 2022, representing a CAGR of 10.3% from 2018 to 2022.

Interior Decorative Product Market Size by Sales Value, 2013 to 2022E



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF INTERIOR DESIGN AND DECORATING SERVICES MARKET IN CHINA AND HONG KONG

The PRC and Hong Kong interior design and decorating services market is highly fragmented and competitive. Facing the fierce market competition, services providers tend to differentiate themselves with creative interior design and decorating ideas to attract clients and developers. Leading companies with superior interior design capabilities are able to provide comprehensive interior design services, including interior design and interior decorating services, which differentiates them from other competitors and create competitive advantages for the companies in obtaining more business opportunities. The leading market players in the PRC and Hong Kong market consist of large local and international interior design and decorating services companies.

The following table illustrates the leading market players and their relative market share in the China and Hong Kong interior design and decorating services market. The revenue includes the interior design and decorating service fee generated by the companies. Other sources of revenue such as income from supply of interior decorative products and FF&A and licence fee and service fee from product design and architecture design services are not considered in this ranking. As at 31 December 2017, the five largest interior design and decorating service companies in the PRC and Hong Kong interior design and decorating services market accounted for 1.0% of total market in terms of revenue.

INDUSTRY OVERVIEW

Competitive Landscape of China and Hong Kong Interior Design and Decorating Services Companies, FY2017

Company	Headquarter	Major services	Revenue HK\$ million	Market share
1. A	U.S.	Interior design and decorating services; architecture design services; graphic design services; art consultancy services	1,194.2	0.49%
2. Our Group	Hong Kong	Interior Design Services, Interior Decorating & Furnishing Services and Product Design Services	434.8	0.18%
3. B	The United Kingdom	Interior design and decorating services; architecture design services; branding and logo design services	429.1	0.18%
4. C	The PRC	Interior design and decorating services; architecture design services	249.1	0.10%
5. D	Hong Kong	Interior design and decorating services; architecture design services; art consultancy services	115.0	0.05%

Note: 2017 total market size = HK\$243.8 billion. The revenue is calculated at RMB to HK\$ exchange rate of 1:1.2346.
Source: Company websites and annual reports; Frost & Sullivan

Market Drivers

Increasing urbanisation rate and improving income level: With relatively lower urbanisation rate compared to 80.0% level in developed countries, the PRC Government has been committing efforts in increasing the urbanisation process since the 12th Five-Year-Plan, resulting in a significant growth in urbanisation rate from 52.6% in 2013 to 57.3% in 2017. The interior design and decorating services market in the PRC has been stimulated by the growth of the real estate market across the country driven by large population inflow to cities and the constant growing income level. Moving forward, to cater the growing concerns on living qualities and lifestyles in China, growth momentum of interior design and decorating services market for both private residence and mixed-use development is expected to continue.

Chinese enthusiasm on private real estate investment: In 1998, the State Council in China announced the suspension of the welfare housing system across the country and replaced it with Housing Accumulative Fund system, under which the Chinese could purchase private real estate properties. Due to its rapid developments, real estate market is deemed to be one of the major pillars of the economic growth since 2003 by the State Council of China, which consequently resulted in exceptional investment appetite on private real estate market of not only property buyers but also property developers. Benefiting from the flourishing private real estate market, interior design and decorating services market for private residence and residential development segments which are ones of the crucial parts of the value chain has become a main beneficiary of the Chinese enthusiasm on private real estate investments.

INDUSTRY OVERVIEW

Enormous and consistent building renovation market: According to the Rating and Valuation Department of the Hong Kong Government, more than 50.0% of the buildings in Hong Kong were constructed before 1990. As the renovation cycles are typically less than 10 years for commercial buildings and less than 20 years for private residence, the number of projects requiring renovation services in Hong Kong has been enormous and consistent. Coupled with the need for exquisite interior design and decoration due to the limited space and the ever growing income level in Hong Kong, the constant active building and residential apartment renovation market has become one of the major drivers of the interior design and decorating services market.

Flourishing luxury retail sector: The better service qualities and the lower price level caused by a more preferable tax rates has encouraged the Chinese visitors (being the largest group of visitors in Hong Kong) to purchase luxury brands in Hong Kong. Strong purchase power from both local and Chinese consumers have boosted the rapid growth of the luxury retail sector. Striving to provide premium services and client experiences to compete with the thriving online retail business, luxury brands have displayed deeper interests in improving the interior design and decoration of the stores. As a result, premium interior design and decorating services market which could produce luscious and customised designs witnessed growth in the flourishing luxury retail sector.

Entry Barriers

Established partnerships between existing players and clients as well as the stakeholders: In general, corporate clients and some individual clients have strong preference of established interior design and decoration brands due to proven track record and capability to meet the client's requirement. As such, client referral for interior design and decorating services projects is common in the industry, which is advantageous for the existing market players with strong base of clients. Furthermore, recognised partnerships between interior design and decorating services companies and other stakeholders such as property developers and contractors, provide convenience in the projects as well as possible sales opportunities for interior design and decorating service companies. To be able to establish and retain good relationship with clients as well as stakeholders in the value chain is therefore one of the key entry barriers to new entrants who intend to secure projects and build brand images in the market.

Large and consistent investments to start the business: Setting up the interior design and decorating business requires employing of interior design professionals, purchases of equipment and software. Some large-scale interior design and decorating services companies may even have their own research and development facilities for creation of product prototype and individual showroom. In order to maintain decent competitiveness in the market, large and consistent financial investment which is vital not only to support the daily operations but also to improve the service qualities and brand awareness in the market, is also considered as a barrier to new market entrants.

Market Trend

Increasing attentions and expenditure on specialised interior design and decoration: In both China and Hong Kong, the number of specialised buildings and facilities as well as the expenditures in their related segments have witnessed substantial growth in recent years. For example, the number of medical institutions in Hong Kong and China grew substantially from 130 and approximately 960.0 thousand in 2013 to 140 and 990.0 thousand in 2017, respectively. Meanwhile, due to the increasing focus on high-technology and environmental segments, the expenditure on research and development in China and Hong Kong increased from RMB1.1 trillion and HK\$15.6 billion in 2013 to RMB1.8 trillion and HK\$19.5 billion in 2017, respectively. As a result, the increasing attentions and expenditures on the specialised sector have driven the need for related building and interior design upgrade which resulted in the inevitable trend of sprouting demand for specialised meticulous interior design and decorating services.

Further popularisation of green building initiatives: With the advantages of energy saving and environmentally friendly, green building initiative was carried out since 1990s in Hong Kong and 2000s in China. Policies that stipulate the energy and material requirements for buildings were published in both China and Hong Kong, including the Implementation Opinions on Accelerating Green Buildings Developments (關於加快推動我國綠色建築發展的實施意見) in China and the Building (Energy Efficiency) Regulation in Hong Kong. Due to the growing concerns of global warming, growing demand for green buildings in China and Hong Kong are expected in the coming future. Coupled with increasing interests of the building owners and property developers, green building interior designs and decorations are, therefore, becoming a hotspot for interior design and decorating services market which is expected to gain further growth momentums.

More balanced developments of interior design and decorating services market: Generally, interior design services, which target the basic and immovable objects within a property, are widely required for all market segments due to the necessity of functional and basic aesthetical purposes. Interior decorating services, which serve more for user experiences and sensual pleasures, is more emphasised in high-end private residence, mixed-use development and residential segments. Coupled with the increasing income levels in China and Hong Kong, more attentions from building owners and residents for aesthetical attractiveness and user experiences have hasten the rapid developments of the interior decorating services market. Due to the inevitable growing market needs for better user experiences and sensual pleasures, a more balanced development of interior design services market and interior decorating services market is expected to be one of the major trends in the interior design and decorating services market in China and Hong Kong.

INDUSTRY OVERVIEW

Ageing population in China and Hong Kong: According to the latest statistic from the National Bureau of Statistics of China, the proportion of population aged over 65 year old increased from 9.7% in 2013 to 10.9% in 2016. Meanwhile, the declining birth rate in Hong Kong has contributed to the severing ageing population issue, with the proportion of population aged over 65 year old growing to 16.6% in 2016. Consequently, in order to provide more high quality and standard caring services for senior residents, meticulous interior design and decorating services for senior housing is getting more popular amongst not only property developers, but also the senior residents and their families.

Greater needs for fully furnished apartments or houses in China: According to Real Estate Assessment Centre of China, only 15.0% of the newly completed apartments or houses were fully furnished before commercial transactions in 2013. The Guideline of Fully Furnished Private Household (商品住宅裝修一次到位實施細則) issued by the Ministry of Housing and Urban-Rural Development clarified the standard of developing fully furnished private residence and encouraged the supply of fully furnished apartment and houses nationwide, especially in first-tier cities. Meanwhile, provincial regulations are also adopted to encourage fully furnished apartments. For example, in 2008, the Plan of Promoting Private Household Modernisation (關於推進住宅產業現代化的行動方案) was issued by the Urban Planning, Land & Resources Commission of Shenzhen Municipality to promote the selling of fully furnished private residence and realise 100% fully furnished apartments in Shenzhen.

The government policies have demonstrated positive effect on encouraging more refined interior design and decorating services for private residence and it is perceived as a future trend for property developers to provide fully-furnished residence with comprehensive design and decorations to attract client. Profiting from the governmental efforts as well as the advantage of minimised budget for buyers, the percentage of fully furnished apartment or houses as of total newly completed apartment reached approximately 40.0% in 2017 in China. With continuous emphasis on fully furnished apartments or houses by the government and increasing demand from buyers, the percentage of fully furnished apartments or houses in China is forecast to enlarge at a strong pace to approximately 70.0% by 2022, which is considered to be a significant trend of the interior design and decorating services market in China and an important growth engine for sizable interior design and decorating services companies which are capable of undertaking large scale projects with high quality and high efficiency.

PRC LAWS AND REGULATIONS

Incorporation, operation and management of wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law (中華人民共和國公司法) (the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “**Standing Committee of the NPC**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Pursuant to the PRC Company Law, companies are classified into limited liability companies and limited companies by shares. Foreign-invested companies, both limited liability companies and companies limited by shares, are also regulated by the PRC Company Law, except for where foreign investment related rules and regulations prevail.

The Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the “**Implementation Regulations**”), promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 govern the establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour issue of a wholly foreign-owned enterprise.

The PRC government directs the investment orientation of all types of enterprises in different industries within the territory of the PRC, manages investment programmes, and formulates and implements financial, taxation, credit, land, import, export and other policies by means of formulating the Catalogues of Industries for Guiding Foreign Investment, (外商投資產業指導目錄) (the “**FI Catalogues**”). The Catalogues of Industries for Guiding Foreign Investment (2017 Amendment) (外商投資產業指導目錄(2017年修訂)) was promulgated by the National Development and Reform Commission together with the Ministry of Commerce on 28 June 2017 and became effective on 28 July 2017. The FI Catalogues divides industries into three categories: encouraged, restricted, prohibited and all industries not listed under one of these categories are deemed to be permitted. Unless otherwise stipulated by laws or regulations, a foreign investor may invest in industries that are not classified as prohibited.

According to the FI Catalogues (2017 Amendment), foreign investors are permitted to invest, on a wholly-owned basis, in the architectural design, wholesale and retail of common distribution of common commodities.

Intellectual property

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), promulgated on 7 September 1990 and amended on 27 October 2001 and further amended on 26 February 2010, protects the author’s copyright of their artistic works and copyright-related rights and interests. Regulations for the Implementation of Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) was promulgated on 2 August 2002 by the State Council and amended on 8 January 2011 and further amended on 30 January 2013. According to the Copyright Law, the “work(s)” include engineering design drawings and product design drawings. Works of Chinese citizens, legal entities or other organisations, whether published or not, shall enjoy copyright in accordance with the Copyright Law. Unless otherwise provided in the Copyright Law, reproducing, distributing, performing, showing, broadcasting, compiling or communicating to the public on an information network a work created by another person, without the permission of the copyright owner, constitute the acts of infringement of the Copyright Law. The infringer shall bear civil liability for such remedies as ceasing the infringing act, eliminating the effects of the act, making an apology or paying damages, depending on the circumstances and may, if applicable, be subjected to such penalties as imposing a fine, confiscating unlawful income from the act, destroying infringing reproductions and confiscating other properties used for the relevant unlawful activities. Our business in PRC must comply with the Copyright Law and our works are also protected by the Copyright Law.

The Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), promulgated on 23 August 1982 and amended respectively in 1993 and 2001, and further amended on 30 August 2013, protects registered trademarks. The Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on 3 August 2002 by the State Council and amended on 29 April 2014 and became effective on 1 May 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, where registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office under the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局) (the “**SAIC**”) is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years. A trademark registrant shall have the right to exclusively use the trademark after its registration. An application to renew the registration shall be made within twelve months prior to the date of expiration. Where no application for renewal is filed within the period, a grace period of six months is allowed. A trademark registration may be renewed each time for a period of ten years within one day after the expiration of the previous validity time. If no application for renewal is filed at the expiration of the grace period, the registered trademark shall be cancelled. The administrative authority for industry and commerce is authorised to investigate any conduct infringing upon the exclusive right to use a registered trademark. Where a crime is suspected to have been committed, the administrative authority for industry and commerce shall promptly turn over the case to the judicial department to be dealt with in accordance with the law.

Architectural Design

The Construction Law of the PRC (中華人民共和國建築法) (“**Construction Law**”), promulgated on 1 November 1997 and amended on 22 April 2011 governs the construction activities. According to the Construction Law, enterprises designing units shall have the following qualifications: (i) registered capital as specified by the State; (ii) specialised technicians with the statutory qualifications for practice commensurate with the construction activities they are engaged in; (iii) technologies and equipment needed for the construction activities they are engaged in; and (iv) other qualifications specified in laws and administrative rules and regulations. Enterprises designing units shall be graded, in terms of their qualifications, on the basis of their registered capital, specialised technicians, technologies, equipment and the construction projects completed, and they may only engage in construction activities within the scope specified for them in terms of their grades after passing the qualification examination and obtaining the appropriate qualification grade certificates. The design of a construction project shall conform to the rules of construction safety and technical standards formulated in accordance with State regulations and ensure safety of the project.

According to Regulations on Administration of Surveying and Designing of Construction Projects (建設工程勘察設計管理條例) promulgated on 25 September 2000 by State Council and amended on 12 June 2015 and further amended on 7 October 2017 and Regulations on Qualification of Surveying and Designing of Construction Projects (建設工程勘察設計資質管理規定) promulgated on 26 June 2007 by Ministry of Construction and amended on 4 May 2015 and further amended on 13 September 2016, the State applies the qualification control system to the units engaging in surveying or designing activities of construction projects. Units engaged in construction engineering survey and engineering design shall apply for qualifications, based on the registered capital, professional and technical personnel, technical equipment and prospecting and design performance, etc. Units may engage in construction engineering investigation and engineering design activities within the scope of the qualification permission after obtaining construction engineering survey and engineering design qualification certificates.

Engineering design qualification is divided into four categories and four grades. The four categories include engineering design integrated qualification, engineering design industry qualification, engineering design professional qualification and engineering design special qualification. In addition, four grades are the A, B, C and D level. Engineering design special qualification is generally divided into A and B level. Depending on the type and level of qualification, companies are allowed to offer a range of services. After obtaining engineering design special qualification, the units can undertake the corresponding qualification level of special engineering design business.

REGULATORY OVERVIEW

Foreign Trade

According to Measures for the Record-Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記辦法) promulgated on 25 June 2004 by Ministry of Commerce of PRC and became effective on 1 July 2004 and amended on 18 August 2016, foreign trade operators who engage in the import and export of goods or technologies shall go through the formalities for record-filing and registration with the Ministry of Commerce or an authority authorised by the Ministry of Commerce; unless laws, administrative regulations and the Ministry of Commerce provide that it is unnecessary to go through the formalities for record-filing and registration. If foreign trade operators fail to go through the formalities for record-filing and registration in accordance with the provisions of these Measures, customs shall refuse to handle the declaration and clearance formalities of their imports and exports.

Tax

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) promulgated on 16 March 2007 and amended on 24 February 2017 and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), effective on 1 January 2008, enterprises are classified as either resident enterprises or non-resident enterprises for tax purpose. Resident enterprises are enterprises which have been formed in the PRC in accordance with domestic law, or which have been formed in accordance with the law of a foreign country but which are actually under the control of institutions in the PRC. A resident enterprise must pay enterprise tax on its worldwide income a rate of 25%.

A non-resident enterprise which has established agencies or offices in China shall pay enterprise income tax on its income earned by such agencies or offices from inside China, and its income which is earned outside China but is actually associated with such agencies or offices. The rate of enterprise income tax is 25%.

A non-resident enterprise which hasn't established agencies or offices in China, or which has established agencies or offices in China but whose income has no association with such agencies or offices shall pay enterprise income tax on its income earned from inside China. The rate of enterprise income tax is 10%.

REGULATORY OVERVIEW

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) on 21 August 2006 and was latest amended on 1 April 2015. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Provisions in Tax Treaties (關於執行稅收協定股息條款有關問題的通知), which was promulgated by the State Administration of Taxation and became effective on 20 February 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

According to the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements (非居民納稅人享受稅收協定待遇管理辦法), which was promulgated by the State Administration of Taxation on 27 August 2015, became effective on 1 November 2015, where a non-resident enterprise that receives dividends from a Chinese resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit related forms and materials to the competent tax authority.

Value-added tax

Organisations and individuals, who sell commodities, provide processing, repairing or replacement services, or import commodities within the territory of the PRC are subject to value-added tax (增值稅) (the “**VAT**”) in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “**Provisional Regulations on VAT**”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council of the PRC (國務院) which became effective on 1 January 1994 and was amended on 5 November 2008 and 6 February 2016 and 19 November 2017. The rate of the VAT is 17%, 11% or 6%, depending on the goods being sold. For taxpayers exporting goods, the tax rate is zero percent except as otherwise stipulated by the State Council.

REGULATORY OVERVIEW

Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), which was promulgated on 4 April 2018 and became effective on 1 May 2018, provides the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

The latest Implementation Measures for the Pilot Programme for Levying Value-Added Tax in Lieu of Business (營業稅改徵增值稅試點實施辦法), promulgated by the Ministry of Finance of the People's Republic of China and State Administration of Taxation on 23 March 2016 and was executed on 1 May 2016. According to the Implementation Measures for the Pilot Programme for Levying Value-Added Tax in Lieu of Business for the provision of services in the modern service industries the tax rate is 6%.

Foreign currency exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**") which was promulgated by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Under these regulations, upon payment of the applicable taxes, foreign-invested enterprises may convert the dividends they receive in Renminbi into foreign currencies and remit such amounts outside the PRC through their foreign exchange bank accounts.

On 19 November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) ("**SAFE Circular 59**"), which became effective on 17 December 2012 and were amended on 4 May 2015. SAFE Circular 59 substantially amends and simplifies the current foreign exchange procedure. According to SAFE Circular 59, the opening of various special purpose foreign exchange accounts (e.g. pre-investment expenses account, foreign exchange capital account, asset realisation account, guarantee account) no longer requires SAFE's approval. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of SAFE Circular 59. Reinvestment of lawful incomes derived by foreign investors in the PRC (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment) no longer requires SAFE's approval or verification, and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer requires SAFE's approval.

REGULATORY OVERVIEW

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“**SAFE Circular 19**”), which came into effect on 1 June 2015. According to SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises (the “**FIE**”) shall be subject to a discretionary foreign exchange settlement (the “**Discretionary Foreign Exchange Settlement**”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an FIE for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) and can be settled at the banks based on the actual operational needs of the FIE. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an FIE is temporarily determined as 100%. Renminbi converted from a foreign exchange capital will be kept in a designated account and if an FIE needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Pursuant to Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular 13**”), which was promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks in accordance with SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

In general, the PRC government does not set a limit on the regular exchange international payment and transfer accounts. Foreign-invested enterprises are allowed to convert Renminbi into foreign currencies and remit abroad without the prior approval of the SAFE or its local branches: (i) when settling current account items in foreign currencies (in such case, payments must be made from their foreign exchange accounts and valid receipts and other related documents must be provided); and (ii) when distributing dividends to foreign investors (in such case, payments must be made from their foreign exchange accounts and the written resolutions of the board of directors on divided distribution and other related documents must be provided).

In other cases, including the settlement of foreign exchange under capital accounts (such as direct investment and increases in registered capital), foreign-invested enterprises may not convert Renminbi into foreign currencies or convert foreign currencies into Renminbi without the prior approval or registration of SAFE or its local branches.

Labour and Safety

According to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and became effective on 1 January 1995 and amended on 27 August 2009, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Wages paid by employers may not be lower than the local minimum wage. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labour Contract Law (中華人民共和國勞動合同法) was promulgated in 29 June 2007 and amended in 28 December 2012, and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, labour contracts must be executed in writing to establish labour relationship between employers and employees. Employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Both employers and employees must perform their respective obligations stipulated in the labour contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer towards the dispatched workers, including among others, entering into a labour contract with a fixed term of more than two years with the workers and paying remuneration for their labour. The staffing company must conclude a labour dispatch agreement with the entities that receive labour services. In the event of a violation of any legal provisions of the Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including revocation of business licences and other penalties. The staffing company may be held jointly and severally liable together with the entity receiving workers from a staffing company's violation of the Labour Contract Law.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf

REGULATORY OVERVIEW

of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) effective on 3 April 1999, as amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds will impose an order for completion within prescribed time limit, if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit if such unit further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

HONG KONG LAWS AND REGULATIONS

We are an Interior Design Services and Interior Decorating & Furnishing Services provider. As at the Latest Practicable Date, there was no statutory or mandatory licensing and qualification system governing the provision of Interior Design Services and Interior Decorating & Furnishing Services in Hong Kong.

Below sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business:

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

All employees under contracts of employment are covered by the Employment Ordinance and as employers we are obliged to adhere to the Employment Ordinance. Under the Employment Ordinance, all employees are entitled to the following basic rights:

- wage payments;
- protection against wage deduction;
- statutory holiday entitlements;
- protection against discrimination;
- a notice period for termination of employment; and
- protection against unlawful dismissal.

Employees who have been employed continuously by the same employer for a period of four weeks or more with at least 18 working hours each week are further entitled to benefits such as compulsory rest days, paid annual leave, maternity leave, sickness allowance, severance and long service payments and mandatory provident fund (“**MPF**”) contributions.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of fault or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

REGULATORY OVERVIEW

According to section 40 of the Employees' Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment of two years. According to section 48 of the Employees' Compensation Ordinance, an employer shall not, without the consent of the Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity or temporary incapacity in circumstances which entitle him to compensation under the Employees' Compensation Ordinance) before occurrence of certain events.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)

Employers are required to enrol their employees (except for certain exempted persons) of 18 years of age or over but below the retirement age of 65 in an MPF scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into an MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

REGULATORY OVERVIEW

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the protection of health and safety of employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure the safety and health at work of all employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from the workplace that are safe and without risks to health; and
- providing and maintaining a work environment that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months.

REGULATORY OVERVIEW

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

The Inland Revenue Ordinance is an ordinance enacted for the purposes of imposing taxes on property, earnings and profits in Hong Kong.

The Inland Revenue Ordinance provides, among other things, that profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his or her assessable profits arising in or derived from Hong Kong at the standard rate, which stood at 16.5% for corporate taxpayers as at the Latest Practicable Date. The Inland Revenue Ordinance also contains detailed provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciations of capital assets.

Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)

The Copyright Ordinance currently in force in Hong Kong came into effect on 27 June 1997. The Copyright Ordinance as reviewed and revised from time to time provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for sound recordings, films, television broadcasts and cable programmes.

In the course of preparing interior design proposals, our Group may create original artistic works (such as drawings) or literary works (such as text) or videos that qualify for copyright protection without registration. Infringement of copyright is civilly actionable.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

We can trace our roots back to 1997 when Mr. Steve Leung and his spouse, Ms. Chan Siu Wan set up SLDL, our principal subsidiary, to engage in the business of providing Interior Design Services in Hong Kong. See “Directors and Senior Management” for more information on the background of Mr. Steve Leung.

We entered into the PRC market as an interior design consultant in 1997. In December 2002, based on the rapid growth of our PRC business and the fast development of the PRC real estate industry, we established Steve Leung (Shanghai) to facilitate the provision of our Interior Design Services in the PRC.

To enhance its interior design capability, create synergy among its business segments and further expand its business in the domestic and overseas markets, Jangho Group, through Eagle Vision, acquired a 70% interest in SLDL from Mr. Steve Leung in February 2014.

In June 2015, we incorporated Steve Leung Lifestyle for the provision of our Interior Decorating & Furnishing Services in Hong Kong, the PRC and other overseas markets.

In September 2016, with a view to avoid potential competition between our Group and Jangho Group, enhance our construction design drawing capability and broaden our customer base in the PRC, we acquired an 80% interest in Gangyuan Design from Gangyuan Decoration.

BUSINESS MILESTONES

The following table sets out the key milestones of our corporate and business development:

Year	Development
1997	SLDL and SLAL were incorporated to provide Interior Design Services and architectural design services in Hong Kong
2001	We started to provide Product Design Services and collaborated with a furniture brand, MAXXA International Limited, for our first Product Design Services project
2002	We established Steve Leung (Shanghai) to carry out our Interior Design Services in the PRC
2007	We organised the “50 20 10 Steve Leung Design Exhibition Tour” in Hong Kong and Shanghai and published a comprehensive work collection entitled “STEVE LEUNG 50 20 10”

HISTORY, DEVELOPMENT AND REORGANISATION

- 2008 A scholarship entitled “Steve Leung Travelling Scholarship (梁志天遊學獎學金)” was established as part of our social responsibility to help with the training of young interior designers in Hong Kong and the PRC
- 2012 We organised the “Hong Kong Design • Design Hong Kong Exhibition” in Hong Kong
- 2013 We organised the “55 25 15 Steve Leung Design Roving Exhibition” in Beijing and published a comprehensive work collection entitled “STEVE LEUNG 55 25 15”
- 2014 Jangho Group invested in our Group, through Eagle Vision, and became a controlling shareholder of SLDL
- Steve Leung Hospitality, Steve Leung Exchange, Everyday Living and Steve Leung (Beijing) were incorporated
- 2015 Steve Leung Lifestyle was incorporated as part of our strategy to develop our Interior Decorating & Furnishing Services
- 2016 We obtained the ISO 9001:2008 and ISO 14001:2004 certifications
- We acquired an 80% interest in Gangyuan Design from Gangyuan Decoration
- We were accredited as the number one interior design firm in residential category and the top third and 30th interior design firm in the Asia and global rankings, respectively, by the 2016 Top 100 Giants Research issued by the Interior Design magazine of the United States
- 2017 For the second consecutive year, we were accredited as the number one interior design firm in residential category and the top third and 30th interior design firm in the Asia and global rankings, respectively, by the 2017 Top 100 Giants Research issued by the Interior Design magazine of the United States
- 2018 For the third consecutive year, we were accredited as the number one interior design firm in the residential category and ranked the top second and 21st interior design firm in the Asia and global rankings, respectively, by the 2018 Top 100 Giants Research issued by the Interior Design magazine of the United States

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 December 2016. The initial authorised share capital of our Company was HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each. See “– Reorganisation” in this section for further details of changes in the shareholding of our Company. As at the Latest Practicable Date, our Company was held as to 70% and 30% by Eagle Vision and Sino Panda, respectively. As a result of the Reorganisation, our Company became the holding company of our subsidiaries.

Our subsidiaries

During the Track Record Period, we conducted our businesses through our operating subsidiaries incorporated in Hong Kong and the PRC. We also established an investment holding company for holding interests in our operating subsidiaries. As at the Latest Practicable Date, we had 13 subsidiaries, including 12 operating subsidiaries, namely SLDL, SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle, Everyday Living, Steve Leung (Shenzhen), Steve Leung (Beijing), Steve Leung Lifestyle (Shenzhen), Everyday Living (Guangzhou) and Gangyuan Design and one investment holding company, namely SLD Group Holdings.

SLD Group Holdings

On 3 January 2017, SLD Group Holdings was incorporated in the BVI with limited liability with an issued share capital of US\$1 divided into one share, which was beneficially owned by our Company. Since the date of its incorporation and up to the Latest Practicable Date, the entire issued share capital of SLD Group Holdings was wholly and beneficially owned by our Company.

Since the date of its incorporation and up to the Latest Practicable Date, SLD Group Holdings was an investment holding company.

HISTORY, DEVELOPMENT AND REORGANISATION

SLDL

On 25 June 1997, SLDL was incorporated in Hong Kong with limited liability with an issued share capital of HK\$2 divided into two shares which were beneficially owned by Sky South Investments Limited (a company beneficially owned by Mr. Steve Leung and his spouse, Ms. CHAN Siu Wan, in equal shares when Sky South Investments Limited was interested in our Group) and Mr. Steve Leung in equal shares. From January 1999 to August 2009, SLDL had undergone several shareholding changes, which included the following: (i) on 1 January 1999, SLDL allotted and issued 83 shares, 10 shares and five shares to Mr. Steve Leung, Mr. YIM Chun Hon and Mr. SIU Kwong Yiu, Sherman at par value, respectively; (ii) on 20 January 1999, Sky South Investments Limited transferred one share in SLDL to Mr. Steve Leung at par value; (iii) on 19 June 2008, Mr. SIU Kwong Yiu, Sherman transferred five shares to Mr. Steve Leung at par value; and (iv) on 4 August 2009, Mr. YIM Chun Hon transferred 10 shares to Mr. Steve Leung at par value. To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, each of Mr. YIM Chun Hon and Mr. SIU Kwong Yiu, Sherman was an Independent Third Party. Upon completion of the aforesaid shareholding changes, SLDL became wholly and beneficially owned by Mr. Steve Leung.

To enhance its interior design capability, create synergy among its business segments and further expand its domestic and overseas markets, Jangho Group acquired a majority interest in our Group. On 21 February 2014, Eagle Vision, one of our Controlling Shareholders, acquired 70 shares (equivalent to a 70% interest) in SLDL from Mr. Steve Leung, at the consideration of HK\$350.0 million (the “**SLDL Acquisition**”), which was fully settled on 23 July 2015. Such consideration was determined after arm’s length negotiations between the relevant parties with reference to, inter alia, the fair value of the identified assets, financial position, future revenue and profits forecast of SLDL. Pursuant to the sale and purchase agreement in relation to the SLDL Acquisition, Mr. Steve Leung has provided the following undertakings and warranties to Eagle Vision:

- (i) The net profit of SLDL for the year ended 31 December 2013 (the “**2013 Net Profit**”) as shown in the audited accounts of SLDL for that financial year shall be no less than HK\$56,000,000 (the “**2013 Guaranteed Profit**”). If the 2013 Net Profit was less than the 2013 Guaranteed Profit, Mr. Steve Leung shall be responsible for making up the deficit amount to SLDL. If the 2013 Net Profit exceeded the 2013 Guaranteed Profit, the surplus amount will be paid to Mr. Steve Leung; and
- (ii) The accumulated net profit of SLDL for the three years ended 31 December 2016 shall be no less than HK\$266,875,000. Mr. Steve Leung shall be required to make up 50% of the difference to SLDL if the said accumulated net profit was less than HK\$266,875,000.

HISTORY, DEVELOPMENT AND REORGANISATION

Prior to the SLDL Acquisition, on 13 February 2014, Eagle Vision, Mr. Steve Leung and SLDL entered into a shareholders agreement to regulate the relationship between the then shareholders of SLDL (the “**SLDL Shareholders Agreement**”), which was subsequently terminated on 21 April 2017. Upon completion of the SLDL Acquisition and immediately prior to the Reorganisation, SLDL was beneficially owned as to 70% and 30% by Eagle Vision and Mr. Steve Leung, respectively. The SLDL Acquisition was properly and legally completed and settled and complied in all material respects with the applicable laws.

During the Track Record Period and up to the Latest Practicable Date, SLDL was principally engaged in the business of investment holding and the provision of Interior Design Services in Hong Kong.

SLAL

On 25 June 1997, SLAL was incorporated in Hong Kong with limited liability with an issued share capital of HK\$2 divided into two shares which were beneficially owned by Sky South Investments Limited and Mr. Steve Leung in equal shares. From January 1999 to August 2009, SLAL had undergone several shareholding changes, which included the following: (i) on 1 January 1999, SLAL allotted and issued 83 shares, 10 shares and five shares to Mr. Steve Leung, Mr. YIM Chun Hon and Mr. SIU Kwong Yiu, Sherman at par value, respectively; (ii) on 20 January 1999, Sky South Investments Limited transferred one share in SLAL to Mr. Steve Leung at par value; (iii) on 19 June 2008, Mr. SIU Kwong Yiu, Sherman transferred five shares to Mr. Steve Leung at par value; and (iv) on 4 August 2009, Mr. YIM Chun Hon transferred 10 shares to Mr. Steve Leung at par value. Upon completion of the aforesaid shareholding changes, SLAL became wholly and beneficially owned by Mr. Steve Leung.

On 3 October 2013, to reorganise our group structure, Mr. Steve Leung transferred 100 shares (equivalent to a 100% interest) in SLAL to SLDL at par value. Upon completion of such transfer and immediately prior to the Reorganisation, SLAL became wholly and beneficially owned by SLDL.

During the Track Record Period and up to the Latest Practicable Date, SLAL was principally engaged in the provision of architecture services in Hong Kong.

HISTORY, DEVELOPMENT AND REORGANISATION

Steve Leung & Yoo

On 18 March 2008, Steve Leung & Yoo was incorporated in Hong Kong with limited liability with an issued share capital of HK\$1 divided into one share which was beneficially owned by Mr. Steve Leung. To streamline Mr. Steve Leung's investments, Steve Leung & Yoo had undergone several shareholding changes, which included the following: (i) on 12 October 2012, Mr. Steve Leung transferred one share (equivalent to a 100% interest) in Steve Leung & Yoo to 1957 & Co. (Development) Limited, a company wholly and beneficially owned by Mr. Steve Leung, at par value; and (ii) on 13 June 2013, 1957 & Co. (Development) Limited further transferred one share (equivalent to a 100% interest) in Steve Leung & Yoo to SLDL at par value. Upon completion of the aforesaid shareholding changes and immediately prior to the Reorganisation, Steve Leung & Yoo became wholly and beneficially owned by SLDL.

Steve Leung & Yoo was principally engaged in the provision of interior design and consulting services in Hong Kong but was inactive in business as at the Latest Practicable Date.

Steve Leung Hospitality

On 29 May 2014, Steve Leung Hospitality was incorporated in Hong Kong with limited liability with an issued share capital of HK\$100 divided into 100 shares which were beneficially owned by SLDL. Since the date of its incorporation and immediately prior to the Reorganisation, Steve Leung Hospitality was wholly and beneficially owned by SLDL.

Steve Leung Hospitality was principally engaged in the provision of hospitality interior design and consulting services in Hong Kong but was inactive in business as at the Latest Practicable Date.

Steve Leung Exchange

On 29 May 2014, Steve Leung Exchange was incorporated in Hong Kong with a limited liability with an issued share capital of HK\$100 divided into 100 shares which were beneficially owned by SLDL. Since the date of its incorporation and immediately prior to the Reorganisation, Steve Leung Exchange was wholly and beneficially owned by SLDL.

Since the date of its incorporation and up to the Latest Practicable Date, Steve Leung Exchange was principally engaged in the provision of Interior Design Services in Hong Kong.

HISTORY, DEVELOPMENT AND REORGANISATION

Steve Leung Lifestyle

On 4 June 2015, Steve Leung Lifestyle was incorporated in Hong Kong with limited liability with an issued share capital of HK\$100 divided into 100 shares which were beneficially owned by SLDL. Since the date of its incorporation and immediately prior to the Reorganisation, Steve Leung Lifestyle was wholly and beneficially owned by SLDL.

Since the date of its incorporation and up to the Latest Practicable Date, Steve Leung Lifestyle was principally engaged in the provision of Interior Decorating & Furnishing Services in Hong Kong, the PRC and other overseas markets.

Everyday Living

On 10 October 2014, Everyday Living was incorporated in Hong Kong with limited liability with an issued share capital of HK\$100 divided into 100 shares which were beneficially owned as to 60%, 20% and 20% by SLDL, Sino Panda and SOLAR CITY TRADING LIMITED, respectively. To the best knowledge of our Directors after reasonable enquiry, as at the Latest Practicable Date, SOLAR CITY TRADING LIMITED was wholly and beneficially owned by Ms. CHIANG Hsin-I, a former director of Everyday Living who resigned on 4 July 2016.

At the time of its incorporation, Everyday Living was principally engaged in the trading and online sales of home accessories and ornaments. With the development of our Interior Decorating & Furnishing Services, we decided to transform Everyday Living, which at the time had an established interior decorating materials sourcing network and online sales platform, into an Interior Decorating & Furnishing Services provider. To facilitate such transformation, on 4 July 2016, SLDL acquired 20 shares (equivalent to a 20% interest) in Everyday Living from each of SINO PANDA LIMITED and SOLAR CITY TRADING LIMITED, respectively, at par value, which was fully settled on the same day. Such consideration was determined after arm's length negotiations between the relevant parties, having considered that Everyday Living was in a net liability position at that time. Such share acquisitions were properly and legally completed and settled and complied in all material respects with the applicable laws. Upon completion of such transactions and immediately prior to the Reorganisation, Everyday Living became wholly and beneficially owned by SLDL.

During the Track Record Period and up to the Latest Practicable Date, Everyday Living was principally engaged in the provision of Interior Decorating & Furnishing Services in Hong Kong.

Steve Leung (Shenzhen)

On 20 April 2007, Steve Leung (Shenzhen) was established in the PRC as a limited liability company with a registered capital of HK\$1 million, which was fully paid up as at 11 June 2007. Since the date of its incorporation and up to the Latest Practicable Date, Steve Leung (Shenzhen) was wholly and beneficially owned by SLDL.

HISTORY, DEVELOPMENT AND REORGANISATION

During the Track Record Period and up to the Latest Practicable Date, Steve Leung (Shenzhen) was principally engaged in the provision of Interior Design Services, Interior Decorating & Furnishing Services and Product Design Services in the PRC.

Steve Leung (Beijing)

On 13 November 2014, Steve Leung (Beijing) was established in the PRC as a limited liability company with a registered capital of RMB700,000, which was fully paid up as at 28 April 2015. At the time of its establishment, Steve Leung (Beijing) was beneficially owned as to 99% and 1% by SLDL and Mr. Steve Leung, respectively. In anticipation of the Listing, on 3 March 2017, pursuant to an equity transfer agreement, Mr. Steve Leung transferred 1% interest he held in Steve Leung (Beijing) to SLDL at the consideration of RMB 7,000 (the “**Steve Leung (Beijing) Acquisition**”), which was fully settled on the same day. Such consideration was determined after arm’s length negotiations between the relevant parties with reference to Mr. Steve Leung’s contribution to the registered capital of Steve Leung (Beijing). Upon completion of the Steve Leung (Beijing) Acquisition, Steve Leung (Beijing) became an indirect wholly owned subsidiary of our Company.

Since the completion of the Steve Leung (Beijing) Acquisition and up to the Latest Practicable Date, Steve Leung (Beijing) was wholly and beneficially owned by SLDL.

Our PRC Legal Advisers confirmed that all the approvals required for the Steve Leung (Beijing) Acquisition have been obtained and that the Steve Leung (Beijing) Acquisition was properly and legally completed and settled and complied in all material respects with the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, Steve Leung (Beijing) was principally engaged in the provision of Interior Design Services, Interior Decorating & Furnishing Services and Product Design Services in the PRC.

Steve Leung Lifestyle (Shenzhen)

On 19 May 2016, Steve Leung Lifestyle (Shenzhen) was established in the PRC as a limited liability company with a registered capital of RMB700,000, which was fully paid up as at 22 November 2016. Since the date of its incorporation and up to the Latest Practicable Date, Steve Leung Lifestyle (Shenzhen) was wholly and beneficially owned by Steve Leung Lifestyle.

During the Track Record Period and up to the Latest Practicable Date, Steve Leung Lifestyle (Shenzhen) was principally engaged in the provision of Interior Decorating & Furnishing Services in the PRC.

HISTORY, DEVELOPMENT AND REORGANISATION

Everyday Living (Guangzhou)

On 5 February 2015, Everyday Living (Guangzhou) was established in the PRC as a limited liability company with a registered capital of RMB5 million. Since the date of its incorporation and up to the Latest Practicable Date, Everyday Living (Guangzhou) was wholly and beneficially owned by Everyday Living.

Since the date of its incorporation and up to the Latest Practicable Date, Everyday Living (Guangzhou) was principally engaged in the provision of Interior Decorating & Furnishing Services in the PRC.

Gangyuan Design

On 6 September 2006, Gangyuan Design was established in the PRC as a limited liability company with a registered capital of RMB1 million, which was fully paid up at the time of its establishment. Its equity interest was fully held by Gangyuan Decoration. The registered capital of Gangyuan Design was increased to RMB3 million in July 2008 and subsequently RMB10 million in June 2013, the amounts of which were fully paid by Gangyuan Decoration in compliance with time requirements. Pursuant to an equity transfer agreement dated 24 September 2016, Gangyuan Decoration transferred 80% interest in Gangyuan Design to Steve Leung (Beijing) at the consideration of RMB10,213,157.19 (the “**Gangyuan Design Acquisition**”), which was fully settled on 22 March 2017. Such consideration was determined after arm’s length negotiations between the relevant parties with reference to the audited net asset value of Gangyuan Design as at 30 August 2016. Upon completion of the Gangyuan Design Acquisition and the Reorganisation, Gangyuan Design became an indirect non-wholly owned subsidiary of our Company.

Pursuant to a supplemental agreement between Gangyuan Decoration and Steve Leung (Beijing) dated 21 March 2017 (the “**Supplemental Agreement**”), Gangyuan Decoration shall be entitled to the undistributed profit of Gangyuan Design as at 30 September 2016 in the sum of RMB3,144,553.56 (the “**Undistributed Profit**”) whilst the undistributed profit of Gangyuan Design thereafter shall be attributable to the then shareholders in accordance with their respective shareholdings. Pursuant to the Supplemental Agreement, the Undistributed Profit shall be paid to Gangyuan Decoration when Gangyuan Design declares dividends. As at the Latest Practicable Date, the Undistributed Profit had not yet been paid to Gangyuan Decoration.

For FY2015 and FY2016, the revenue of Gangyuan Design was approximately RMB19 million and RMB38 million, respectively.

Since the completion of the Gangyuan Design Acquisition and the Reorganisation and up to the Latest Practicable Date, Gangyuan Design was beneficially owned as to 80% and 20% by Steve Leung (Beijing) and Gangyuan Decoration, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

Our PRC Legal Advisers confirmed that all the approvals required for the Gangyuan Design Acquisition have been obtained and that the Gangyuan Design Acquisition was properly and legally completed and settled and complied in all material respects with the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, Gangyuan Design was principally engaged in the Interior Design Services in the PRC, specialising in the provision of professional design services for public projects and design service for mid-end customers in the PRC.

Our former subsidiaries

SLD Group

On 1 April 2014, SLD Group was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On its date of incorporation, one share at par value was allotted and issued as fully paid to SLDL.

As part of the Reorganisation, on 23 March 2017, SLDL transferred its entire interest in SLD Group to Jangho HK at the consideration of US\$1.00, which was determined after arm's length negotiations between the relevant parties, having considered that SLD Group was in a net liability position at that time (the "**SLD Group Disposal**"). Upon completion of the SLD Group Disposal, SLD Group ceased to be our subsidiary.

As SLD Group did not have any business operation since the date of its incorporation and up to the date of the SLD Group Disposal, and was dissolved on 11 May 2017, our Directors are of the view that SLD Group did not and would not compete, or is not expected to compete, directly or indirectly, with our Group.

SLH Holdings

On 1 April 2014, SLH Holdings was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On its date of incorporation, one share at par value was allotted and issued as fully paid to SLDL. As part of the Reorganisation, on 23 March 2017, SLDL transferred its entire interest in SLH Holdings to Jangho HK at the consideration of US\$1.00, which was determined after arm's length negotiations between the relevant parties, having considered that SLH Holdings was in a net liability position at that time (the "**SLH Holdings Disposal**"). Upon completion of the SLH Holdings Disposal, SLH Holdings ceased to be our subsidiary.

As SLH Holdings did not have any business operation since the date of its incorporation and up to the date of the SLH Holdings Disposal, and was dissolved on 11 May 2017, our Directors are of the view that SLH Holdings did not and would not compete, or is not expected to compete, directly or indirectly, with our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

SLA Holdings

On 9 April 2014, SLA Holdings was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On its date of incorporation, one share at par value was allotted and issued as fully paid to SLDL. As part of the Reorganisation, on 23 March 2017, SLDL transferred its entire interest in SLA Holdings to Jangho HK at the consideration of US\$1.00, which was determined after arm's length negotiations between the relevant parties, having considered that SLA Holdings was in a net liability position at that time (the "**SLA Holdings Disposal**"). Upon completion of the SLA Holdings Disposal, SLA Holdings ceased to be our subsidiary.

As SLA Holdings did not have any business operation since the date of its incorporation and up to the date of SLA Holdings Disposal, and was dissolved on 11 May 2017, our Directors are of the view that SLA Holdings did not and would not compete, or is not expected to compete, directly or indirectly, with our Group.

SLX Holdings

On 1 April 2014, SLX Holdings was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On its date of incorporation, one share at par value was allotted and issued as fully paid to SLDL. As part of the Reorganisation, on 23 March 2017, SLDL transferred its entire interest in SLX Holdings to Jangho HK at the consideration of US\$1.00, which was determined after arm's length negotiations between the relevant parties, having considered that SLX Holdings was in a net liability position at that time (the "**SLX Holdings Disposal**"). Upon completion of the SLX Holdings Disposal, SLX Holdings ceased to be our subsidiary.

As SLX Holdings did not have any business operation since the date of its incorporation and up to the date of the SLX Holdings Disposal, and was dissolved on 11 May 2017, our Directors are of the view that SLX Holdings did not and would not compete, or is not expected to compete, directly or indirectly, with our Group.

THREE-YEAR LOYALTY INCENTIVE SCHEME, CONVERSION SCHEME AND SETTLEMENT PLAN

To enhance the stability and the sense of belonging of our selected employees, we adopted "Three-Year Loyalty Incentive Scheme" (the "**Loyalty Incentive Scheme**") and "Share-linked Bonus and Share Conversion Scheme" (the "**Conversion Scheme**") on 26 November 2014.

Employees with titles of Associate Director or above are entitled to participate in the Loyalty Incentive Scheme under such scheme, up to 50% of the respective year-end special bonus of the employees participated in the Loyalty Incentive Scheme (the "**Participated Employees**") for 2014, 2015 and/or 2016 may be retained, at

HISTORY, DEVELOPMENT AND REORGANISATION

their discretion, with our Group for a term of 24 months commencing from 31 December of the relevant year (the “**Accumulation Period**”). Subject to participation in the Conversion Scheme by the Eligible Participants (as defined below), we would pay to the Participated Employees an amount which is a double of the amount so retained (the “**Incentive Bonus**”) within 14 days after the expiry of the relevant Accumulation Period.

As at the Latest Practicable Date, a total of 17 Participated Employees participated in the Loyalty Incentive Scheme and were entitled to an aggregate sum of approximately HK\$6.9 million (including the original retained sum and the return).

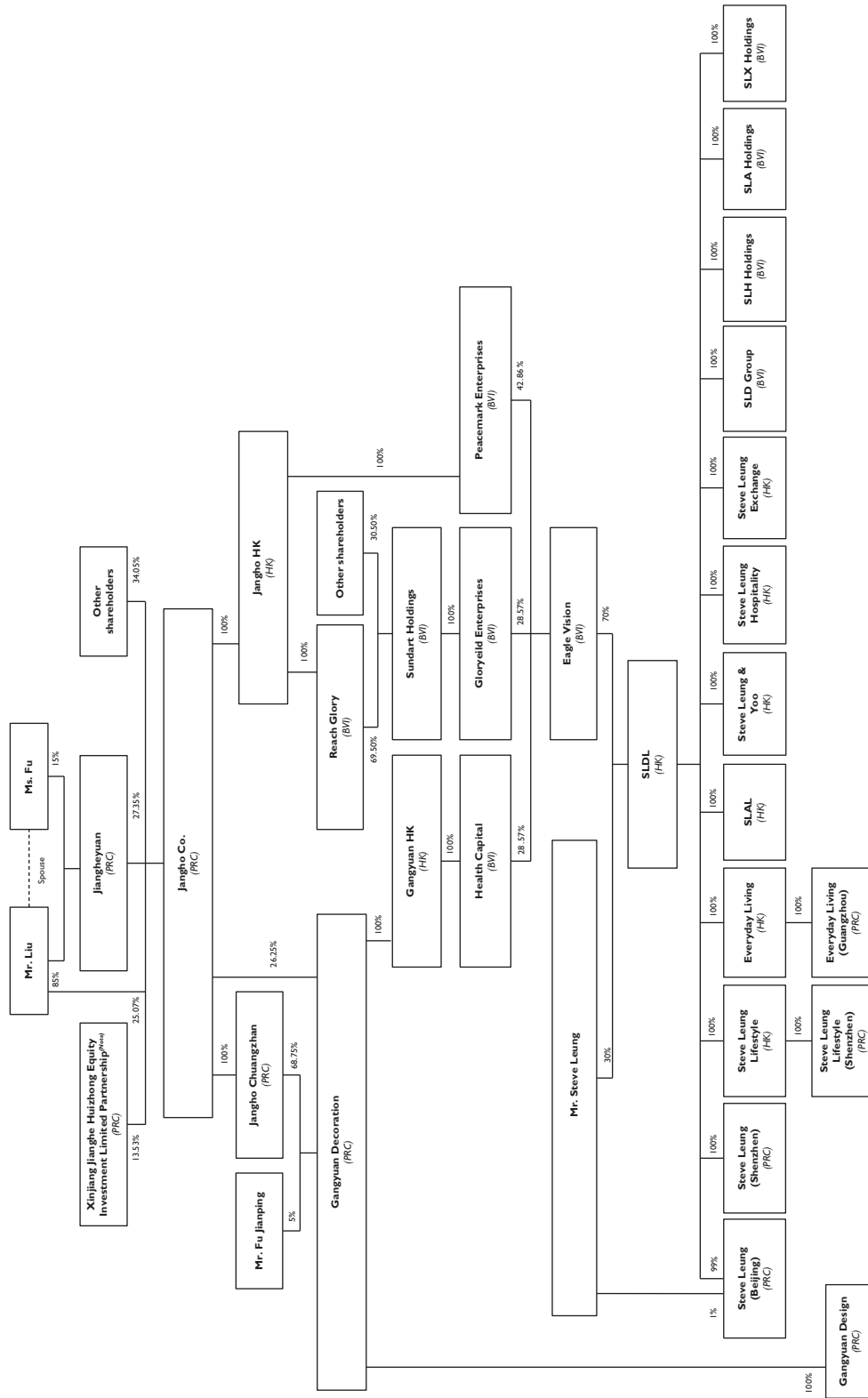
Participated Employees with a title of Design Director or above (the “**Eligible Participants**”) may also, at their discretion, participate in the Conversion Scheme. Pursuant to the Conversion Scheme, each Eligible Participant may use the amount he/she is entitled to (including the original retained sum and the return) under the Loyalty Incentive Scheme to acquire dividend rights in the shares of SLDL in 2017 at the price of HK\$2,500,000 per 1% of total dividend rights in the issued share capital of SLDL from Eagle Vision and Mr. Steve Leung in equal shares. Such dividend rights will be converted into shares of SLDL in January 2022.

In anticipation of the Listing, on 15 June 2018, we implemented a settlement plan in relation to the Conversion Scheme (the “**Settlement Plan**”). Pursuant to the Settlement Plan: (i) the Conversion Scheme was terminated and replaced by the Pre-IPO Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLDL of the Eligible Participant under the Conversion Scheme was replaced by the Pre-IPO Share Options granted to them; and (iii) all the rights, benefits and claims of the Eligible Participant under the Conversion Scheme were terminated. The Participated Employees will continue to be entitled to the Incentive Bonus pursuant to the Loyalty Incentive Scheme.

As at the Latest Practicable Date, options to subscribe for an aggregate of 30,483,600 Shares (representing approximately 2.604% of the enlarged issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering and assuming the Over-allotment Option is not exercised and all options under the Pre-IPO Share Option Scheme are exercised in full and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme) at an exercise price of HK\$0.44 per Share equivalent to an approximately 50% discount to the mid-point of the Offer Price, have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 16 employees of our Group (the “**Option Holders**”) have been granted options under the Pre-IPO Share Option Scheme. All of the 16 Option Holders are employees of our Group including our Directors and our senior management members. For the principal terms of the Pre-IPO Share Option Scheme and the outstanding options, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

REORGANISATION

The diagram below sets forth our shareholding structure immediately prior to the Reorganisation.



HISTORY, DEVELOPMENT AND REORGANISATION

Note: Xinjiang Jianghe Huizhong Equity Investment Limited Partnership (新疆江河匯眾股權投資有限合夥企業) (“**Xinjiang Jianghe Huizhong**”) is a limited partnership established in the PRC on 23 January 2007, with a view to holding the shares in Jangho Co. for certain senior staffs of Jangho Group. As at the Latest Practicable Date, Xinjiang Jianghe Huizhong had four general partners and 24 limited partners; amongst such 28 partners, 25 partners were Independent Third Parties, and the following partners were connected persons of our Company:

- (i) Mr. Xu Xingli, a non-executive Director, chairman of the Board and a director of each of our subsidiaries (other than SLD Group Holdings and Gangyuan Design);
- (ii) Mr. Wang Qifeng, a director of each of our subsidiaries (other than SLD Group Holdings and Steve Leung Exchange); and
- (iii) Mr. Liu Zhongyue, a director of SLD Group Holdings.

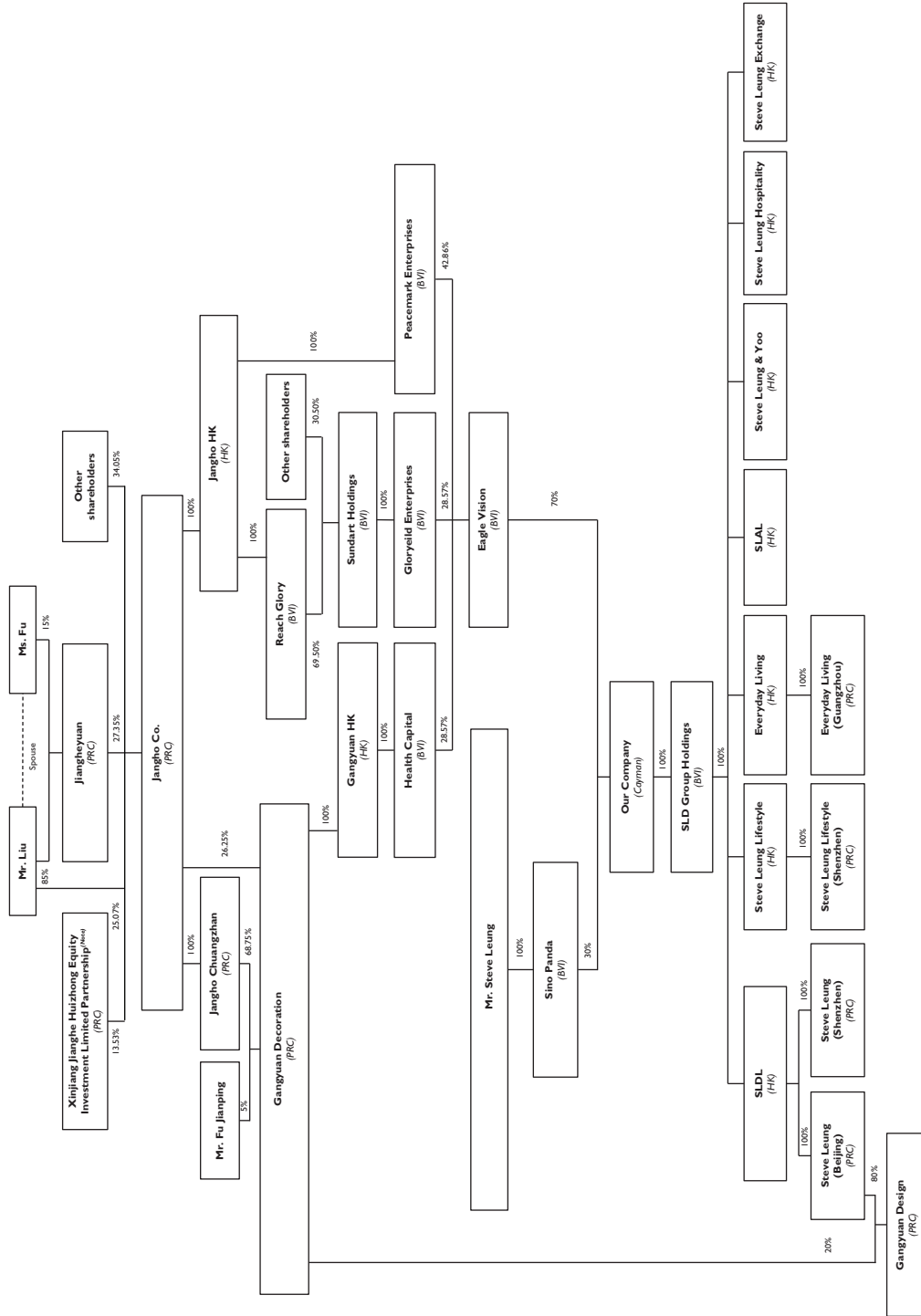
The companies comprising our Group underwent a reorganisation to rationalise our corporate structure in preparation for the Listing, and as a result, our Company became the holding company of our Group. The Reorganisation involved the following steps:

1. On 24 September 2016, Gangyuan Decoration transferred 80% interest in Gangyuan Design to Steve Leung (Beijing) at the consideration of RMB10,213,157.19. See “– Corporate Development – Our subsidiaries – Gangyuan Design” for details of the Gangyuan Design Acquisition.
2. On 9 December 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 Shares of a par value of HK\$0.01 each, of which one Share was allotted and issued to an Independent Third Party, who in turn transferred such one Share to Eagle Vision, and 69 Shares and 30 Shares were allotted and issued to Eagle Vision and Sino Panda, respectively, on the same day.
3. On 3 March 2017, Mr. Steve Leung transferred 1% interest in Steve Leung (Beijing) to SLDL at the consideration of RMB7,000, which was fully settled on the same day. See “– Corporate Development – Our subsidiaries – Steve Leung (Beijing)” for details of the Steve Leung (Beijing) Acquisition.
4. On 23 March 2017, SLDL transferred its entire interest in SLD Group, SLH Holdings, SLA Holdings and SLX Holdings to Jangho HK, each at the consideration of US\$1.00. Upon completion of such share transfers, SLD Group, SLH Holdings, SLA Holdings and SLX Holdings ceased to be our subsidiaries. See “– Corporate Development – Our former subsidiaries” for further details.

HISTORY, DEVELOPMENT AND REORGANISATION

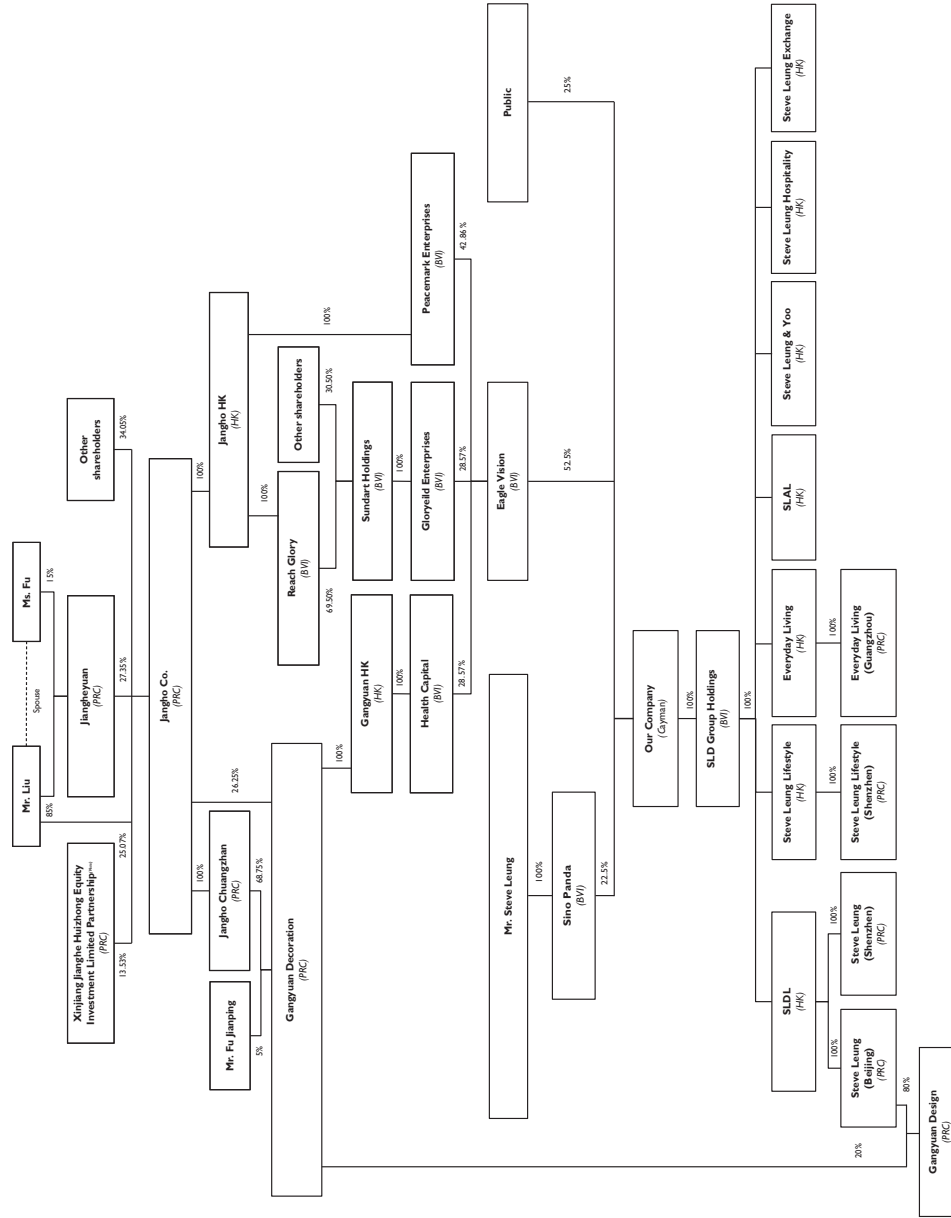
5. On 21 April 2017, SLD Group Holdings entered into a share transfer agreement (the “**SLDL Share Transfer Agreement**”) with Eagle Vision, Sino Panda, Mr. Steve Leung and our Company, pursuant to which Eagle Vision and Mr. Steve Leung transferred 70 shares (equivalent to a 70% interest) and 30 shares (equivalent to a 30% interest) in SLDL to SLD Group Holdings, respectively, the consideration of which was satisfied by the allotment and issue of 630 Shares and 270 Shares to Eagle Vision and Sino Panda, respectively. The transactions contemplated under the SLDL Share Transfer Agreement were completed on the same day. Upon completion of such transactions, SLDL became wholly and beneficially owned by SLD Group Holdings.
6. On 21 April 2017, (i) Eagle Vision, Mr. Steve Leung and SLDL entered into a termination deed to terminate the SLDL Shareholders Agreement with effect from the same day and (ii) Eagle Vision, Sino Panda, Mr. Steve Leung and our Company entered into a shareholders agreement to regulate the relationship between the then shareholders of our Company prior to the Listing, which will be terminated upon the Listing.
7. On 11 June 2018, SLD Group Holdings entered into a share transfer agreement (the “**Subsidiary Share Transfer Agreement**”) with SLDL, pursuant to which SLDL transferred its 100% interest in each of SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living to SLD Group Holdings at the consideration of HK\$79,022.36, HK\$1.00, HK\$470,402.00, HK\$1,998,523.09, HK\$4,371,841.00 and HK\$100.00. The transactions contemplated under the Subsidiary Share Transfer Agreement were completed on 11 June 2018. Upon completion of the Subsidiary Share Transfer Agreement, each of SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living became wholly and beneficially owned by SLD Group Holdings.
8. On 15 June 2018, the Settlement Plan was adopted to replace the Conversion Scheme. See “– Three-year Loyalty Incentive Scheme, Conversion Scheme and Settlement Plan” for details of the Settlement Plan.

The diagram below sets forth our shareholding structure immediately after the completion of the Reorganisation and prior to the completion of the Capitalisation Issue and the Global Offering.



HISTORY, DEVELOPMENT AND REORGANISATION

The diagram below sets forth our shareholding structure immediately after the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme).



APPROVALS AND CONFIRMATION FROM THE SHAREHOLDERS OF JANGHO CO. AND THE PRC AUTHORITIES

Pursuant to Circular 67, as the listing of our Company constitutes a spin-off of certain assets and businesses held by our Group by Jangho Co., specific conditions are required to be complied with and approvals shall be obtained from the board of directors and the shareholders of Jangho Co. Pursuant to the Notice of Further Reinforcing the Administration of Overseas Stock Offering and Listing (Guo Fa [1997] 21) (關於進一步加強在境外發行股票和上市管理的通知(國發[1997] 21號)) issued by the State Council on 20 June 1997, the offshore listing of the subsidiaries controlled by the domestic listed companies and with domestic assets which have been owned by such subsidiaries for no more than three years and are formed through the domestic investment by such subsidiaries with overseas assets shall obtain the necessary approval from the CSRC.

Pursuant to section 2(6) of Circular 67, the directors and senior management of, a listed company in the PRC (the “**PRC Listed Company**”) or the subsidiary of the PRC Listed Company the shares of which are to be listed overseas (the “**Overseas Listed Company**”) and their affiliated persons shall not, in aggregate, hold more than 10% of the total share capital of the Overseas Listed Company prior to its overseas listing.

As at the Latest Practicable Date and prior to the Listing, Mr. Steve Leung held 100% interest in Sino Panda which in turn held 30% interest in our Company. Based on the advice of our PRC Legal Advisers, the fact that Mr. Steve Leung (i) does not hold any directorship or senior management position in our Company or Jangho Co.; and (ii) acts as a director in some of our subsidiaries, namely SLD Group Holdings, SLDL, SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living, does not contravene the relevant requirement under Circular 67.

Mr. Steve Leung has confirmed that he currently has no intention to seek any directorship or senior management position in our Company or Jangho Co. regardless of the continued applicability of section 2(6) of Circular 67.

As advised by our PRC Legal Advisers, in seeking the necessary approval from the CSRC, we have complied with all relevant procedures, submitted all the required documents and provided all the required or requested information to the CSRC. Based on the above, CSRC granted us the approval for the Global Offering and the Listing on 28 May 2018.

Further, our Company obtained the approvals from (i) the board of directors of Jangho Co. at a board meeting on 6 December 2016; and (ii) the shareholders of Jangho Co. at an extraordinary shareholders’ meeting on 22 December 2016.

HISTORY, DEVELOPMENT AND REORGANISATION

Our PRC Legal Advisers have confirmed that all necessary approvals, consent, authorisation or confirmation from the relevant PRC authorities or board of directors or shareholders of Jangho Co. have been duly obtained with respect to the Global Offering and the Listing.

REGISTRATION WITH SAFE

On 21 October 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“**Circular 75**”), according to which, a PRC resident who establishes or takes control of an overseas special purpose vehicle (the “**SPV**”) has to effect foreign exchange registration with his/her local foreign exchange bureau. While injecting assets or equity interests that a PRC resident owns in a PRC enterprise into the SPV or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. Circular 75 was repealed by the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”) on 4 July 2014. Pursuant to Circular 37, which was promulgated by the SAFE and came into effect on 4 July 2014, a PRC citizen residing in the PRC (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes assets or equity interests in the SPV, which is directly established or controlled by the PRC Resident for the purpose of overseas investment or financing.

On 13 July 2009, SAFE promulgated the Provisions on Foreign Exchange Administration for Overseas Direct Investment of Domestic Institutions (Hui Fa [2009] 30) (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知(匯發[2009]30號)) (“**Circular 30**”), which requires, inter alia, any material change in equity investments by an overseas enterprise established, acquired or controlled by a domestic institution with approval by a competent authority of offshore direct investments should be registered with SAFE (the “**Change in Offshore Reinvestment**”). On 13 February 2015, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (Hui Fa[2015]13) (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) (“**Circular 13**”) with effect from 1 June 2015. According to Circular 13, the above mentioned registration under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. The foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via such banks.

HISTORY, DEVELOPMENT AND REORGANISATION

Our PRC Legal Advisers advise us that as the incorporation of our Company, the SLD Group Disposal, the SLH Holdings Disposal, the SLA Holdings Disposal, the SLX Holdings Disposal as well as the transactions contemplated under the SLDL Share Transfer Agreement and Subsidiary Share Transfer Agreement constitute a Change in Offshore Reinvestment, no registration with SAFE is required in relation to the Reorganisation.

PRC COMPLIANCE

Our PRC Legal Advisers confirm that the Reorganisation was duly and legally completed and complied in all material respects with the applicable PRC laws and regulations. Following the Reorganisation, our Company holds interests in its indirect PRC subsidiaries, which is in compliance with the relevant laws and regulations of the PRC, and thus is legitimate and valid.

OVERVIEW

Founded in 1997, we are an internationally renowned and award-winning Interior Design Services and Interior Decorating & Furnishing Services provider headquartered in Hong Kong with offices in Shenzhen, Guangzhou, Beijing, Shanghai and Chengdu in the PRC. With over 380 interior designers and decorators as at the Latest Practicable Date, we had completed a variety of well-known and award-winning projects throughout our operating history, which included overseas project such as Yuan at Atlantis The Palm, The Eight at Grand Lisboa Hotel in Macau and The Orchard Residence in Singapore; Hong Kong projects such as MX, yoo Residence II, Novotel Citygate Hong Kong Hotel, The Hampton and Mango Tree at Elements; and PRC projects such as One Park Shanghai, Nanjing Mandarin Palace, Tang Island, One Shenzhen Bay and Bay of Modern Art Xiamen. According to the Frost & Sullivan Report, we ranked second among interior design services providers which did not provide any fitting-out services, representing 0.18% of the market share in terms of revenue for FY2017 in the PRC and Hong Kong interior design and decorating services industry. Well recognised in the PRC, Hong Kong and the overseas, we are known for undertaking residential, private residence and hospitality projects which target the high-end market in the PRC and Hong Kong.

In 2014, we have become part of Jangho Group in order to enjoy synergy derived from our well-established branding and business network of Jangho Group. Headquartered in Beijing, Jangho Group is a multi-branded corporation in the PRC committed to the promotion of environmental health and human well-being through the provision of environmental-friendly architecture and construction and healthcare and medical services. Currently, it principally operates the business of (i) the provision of fitting-out services in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and the PRC and the manufacturing, sourcing and distribution of interior decorative materials business; (ii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC; and (iii) the provision of healthcare and medical services in Australia and the PRC.

Mr. Steve Leung, our founder, is a renowned architect, interior and product designer. Mr. Steve Leung was honoured as the winner of the Andrew Martin International Interior Designer of the Year Award in 2015 and named as one of the world's top interior designers in the Andrew Martin International Interior Design Awards for 14 times since 2000. He was also elected as one of the 50 Most Influential Persons of the Year in 2017 by INTERNI and one of the 30 Most Influential Designers by FORBES China in 2015. In 2017, Mr. Steve Leung is also one of the 20 most influential interior designers in the PRC on the Hurun Interior Designers List 2017 published by the Hurun Research Institute of the PRC.

BUSINESS

During the Track Record Period, we sought to achieve optimal balance between costs, functionality and aesthetics to uplift lifestyle of end users by providing quality Interior Design Services. Along with concept creation, we assist our clients to achieve realisation of our design concepts through the provision of project documentation and construction supervision. For each of FY2015, FY2016 and FY2017, over 80.0% of our revenue was generated through the provision of our Interior Design Services.

To best showcase and enhance our interior designs, we also assist in furnishing the functional space with the use of FF&A by providing Interior Decorating & Furnishing Services to clients who engaged us for Interior Design Services during the Track Record Period. Part of our Interior Decorating & Furnishing Services started off as value-added services offered under our Interior Design Services. In view of its market potential, our management decided to commit resources in developing our Interior Decorating & Furnishing Services. In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major types of services when Steve Leung Lifestyle was incorporated and our decoration teams were formally organised into an individual operating business unit. For FY2015, FY2016 and FY2017, 4.1%, 7.8% and 16.3% of our revenue was generated through the provision of our Interior Decorating & Furnishing Services, respectively. The remaining revenue, representing not more than 1.0% of our revenue for each of FY2015, FY2016 and FY2017, was attributable to the provision of Product Design Services.

During the Track Record Period, we had over 390 clients including property developers, individual private clients, restaurant operators, hotel developers and operators, well-known furniture and lifestyle product brands and other private corporations. We were mainly engaged for four categories of Interior Design Services and Interior Decorating & Furnishing Services projects: (i) residential projects such as show flats, sales offices, standard provisions and club houses; (ii) private residence projects such as apartments, penthouses and villas; (iii) hospitality projects such as restaurants, hotels, serviced apartments and shopping malls; and (iv) commercial projects such as office premises. For each of FY2015, FY2016 and FY2017, over 70.0% of our total revenue was contributed by our residential projects.

BUSINESS

The following table sets forth a breakdown of our revenue and the number of contracts by types of services, projects and geographical locations during the Track Record Period:

	FY2015			FY2016			FY2017		
	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue	No. of contracts	Revenue recognised HK\$'000	% of total revenue
Interior Design Services projects									
<u>The PRC</u>									
Residential project	183	142,117	56.9	241	191,116	60.0	338	219,130	50.4
Private residence project	7	5,458	2.2	21	11,116	3.5	23	25,022	5.8
Hospitality project	23	17,947	7.2	55	16,819	5.3	66	28,992	6.6
Commercial project	7	3,525	1.4	35	10,852	3.4	61	21,230	4.9
Others ^(Note 1)	5	8,326	3.3	30	8,539	2.7	22	9,675	2.2
<u>Hong Kong</u>									
Residential project	36	31,274	12.5	44	27,257	8.5	36	19,976	4.6
Private residence project	10	7,510	3.0	10	1,210	0.4	10	10,752	2.5
Hospitality project	14	6,802	2.7	14	5,948	1.8	12	3,471	0.8
Commercial project	3	839	0.3	3	1,564	0.5	7	2,218	0.5
Others ^(Note 1)	-	-	-	2	814	0.3	-	-	-
<u>Others^(Note 2)</u>									
Residential project	11	6,478	2.6	4	472	0.2	5	5,980	1.4
Private residence project	3	1,309	0.5	3	4,185	1.3	2	86	0.0
Hospitality project	5	4,611	1.9	3	11,165	3.5	9	12,858	3.0
Commercial project	1	2,671	1.1	1	676	0.2	2	1,088	0.2
Others ^(Note 1)	-	-	-	1	400	0.1	-	-	-
Interior Decorating & Furnishing Services projects^(Note 3)									
<u>The PRC</u>									
Residential project	49	7,009	2.8	128	20,081	6.3	214	62,859	14.5
Private residence project	-	-	-	1	55	0.0	6	1,210	0.3
Hospitality project	5	341	0.1	6	533	0.2	18	1,622	0.4
Commercial project	1	32	0.0	2	180	0.1	9	1,178	0.3
Others ^(Note 4)	6	410	0.2	7	1,471	0.4	4	1,951	0.4
<u>Hong Kong</u>									
Residential project	9	917	0.4	15	1,717	0.6	17	186	0.0
Private residence project	4	286	0.1	5	87	0.0	5	51	0.0
Hospitality project	4	178	0.1	5	177	0.1	8	828	0.2
Commercial project	-	-	-	2	97	0.0	1	50	0.0
Others ^(Note 4)	4	707	0.3	4	205	0.1	-	-	-
<u>Others^(Note 2)</u>									
Residential project	-	-	-	1	136	0.0	2	443	0.1
Private residence project	-	-	-	-	-	-	-	-	-
Hospitality project	-	-	-	1	54	0.0	1	245	0.1
Commercial project	-	-	-	-	-	-	1	77	0.0
Others ^(Note 4)	1	329	0.1	-	-	-	-	-	-
Product Design Services projects									
The PRC	-	-	-	2	462	0.1	5	1,976	0.4
Hong Kong	1	200	0.1	-	-	-	-	-	-
Others	4	589	0.2	4	1,220	0.4	6	1,668	0.4
	396	249,865	100.0	650	318,608	100.0	890	434,822	100.0

BUSINESS

Notes:

1. During the Track Record Period, our other Interior Design Services projects included composite projects, education institution projects and healthcare projects.
2. During the Track Record Period, the other geographical locations were Canada, Germany, Italy, Japan, Macau, Malaysia, Mongolia, Myanmar, the Philippines, Qatar, Saudi Arabia, Singapore, Switzerland, Taiwan, Thailand, the United Arab Emirates and the United Kingdom.
3. For FY2015, FY2016, and FY2017, 40, 116 and 234 contracts involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services, respectively. We had a total number of 356, 534 and 656 contracts for FY2015, FY2016 and FY2017, respectively.
4. During the Track Record Period, our other Interior Decorating & Furnishing Services projects included composite projects and procurement, supply, installation and/or setting of FF&A which could not be categorised based on types of property development.

COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

We are an award-winning Interior Design Services and Interior Decorating & Furnishing Services provider with an internationally renowned brand in the PRC, Hong Kong and overseas.

Founded by Mr. Steve Leung in 1997, we had been operating in the PRC and Hong Kong under our brands “Steve Leung Designers” and “SLD”. We believe we have built a strong brand in the industry and established a leading position in the industry with a solid project portfolio and reputation.

According to the Frost & Sullivan Report, we ranked second among interior design services providers which did not provide any fitting-out services, representing 0.18% of the market share in terms of revenue for FY2017 in the PRC and Hong Kong interior design and decorating services industry. Over the past 20 years, our interior designs and decorations had been well-recognised in the industry and had received various awards. We were recognised as the number one interior design firm in the residential category and the top second and 21st interior design firm, respectively, in the Asia and global rankings by the 2018 Top 100 Giants Research issued by the Interior Design magazine of the United States. Throughout our operating history, we had completed a variety of well-known and award-winning projects, which included overseas project such as Yuan at Atlantis The Palm, The Eight at Grand Lisboa Hotel in Macau and The Orchard Residence in Singapore; Hong Kong projects such as MX, yoo Residence II, Novotel Citygate Hong Kong Hotel, The Hampton and Mango Tree at Elements; and PRC projects such as One Park Shanghai, Nanjing Mandarin Palace, Tang Island, One Shenzhen Bay and Bay of Modern Art Xiamen. For further information of our awards, see “Awards and Accreditations” in this section.

BUSINESS

Our Directors are of the view that the recognition of our brand in the industry had been important to our development and our growth as they provide assurance and confidence as to our quality and services to our clients. Our Directors are also of the view that the recognition of our brand increases our market visibility and enables us to maintain close relationship with our existing and potential clients. Such recognition also helps us to attract talents and enables us to further improve the quality of our services and competitiveness.

We have strong and experienced design and decoration teams.

Mr. Steve Leung, our founder and our most reputable interior designer, is mainly responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects. He had been actively involved in the business operation of our major operating subsidiaries since our establishment in 1997. Mr. Steve Leung is a renowned architect, interior and product designer. Mr. Steve Leung was honoured as the winner of the Andrew Martin International Interior Designer of the Year Award in 2015 and named as one of the world's top interior designers in the Andrew Martin International Interior Design Awards for 14 times since 2000. He was also elected as one of the 50 Most Influential Persons of the Year in 2017 by INTERNI and one of the 30 Most Influential Designers in 2015 by FORBES China. In 2017, Mr. Steve Leung is also one of the 20 most influential interior designers in the PRC on the Hurun Interior Designers List 2017 published by the Hurun Research Institute of the PRC. During the Track Record Period, we secured five contracts, three contracts and four contracts with aggregated contract sums of HK\$6.1 million, HK\$6.7 million and HK\$6.0 million through Mr. Steve Leung, respectively. During the Track Record Period, Mr. Steve Leung was also directly involved in the creative design which included input in deliverables and attendance in project meetings, presentations and marketing events, of 49 contracts, 42 contracts and 22 contracts with aggregated contract sums of HK\$134.5 million, HK\$128.6 million and HK\$79.1 million, respectively. For FY2015, FY2016 and FY2017, these projects with Mr. Steve Leung's creative design involvement contributed HK\$79.5 million, HK\$104.0 million and HK\$84.7 million, representing 31.8%, 32.7% and 19.5% of our total revenue, respectively. For further biographical details of Mr. Steve Leung, see "Directors and Senior Management".

In addition to Mr. Steve Leung, we had more than 20 design and decoration teams with over 380 interior designers and decorators stationed in both the PRC and Hong Kong as at the Latest Practicable Date. Led by over 25 interior designers and decorators with Design Directors and Senior Decorator or more senior titles who had five to over 17 years of experience in the interior design and decorating services industry as at the Latest Practicable Date, each of our interior design and decoration teams are capable of handling various categories of projects independently while delivering quality designs and decorations in accordance with our in-house design standards and specifications.

BUSINESS

Furthermore, we are on the lookout for talented and experienced interior designers and decorators through recruitment and internal training. One of our recruitment channels has been referral. Talented graduates from design schools and experienced interior designers and decorators are identified and recruited through referral from, among other things, scholarship programme and our employees which allows us to better evaluate the candidates' background. Orientation and on-job training are provided to ensure they are familiar with our internal design standards and specifications. We also provide training opportunities on interior design and decoration so that our employees are kept abreast of any new market trend and technology. Our Directors believe that our strong design and decoration teams had been instrumental in attracting and retaining potential and existing clients and delivering designs and decorations that were well-recognised in the industry and well-accepted by our clients.

We offer quality services through the adoption of well-established design quality internal control system.

We believe we had been well-recognised by our clients and other market players in the interior design and decorating services industry partly due to the consistent quality interior design and decorating services provided by our interior designers and decorators which is largely attributable to our design quality internal control system.

We believe an organised and systematic approach facilitates the consistent delivery of quality designs and decorations. To this end, in-house design references have been formulated by Mr. Steve Leung and our Chief Creative Officer for our interior designers and decorators. These design references and guidelines include design solutions and illustrations for different interior space and environments and updates on the latest design trends, styles and available materials and technics. We had also formulated and implemented a set of standards and specifications governing the deliverables of our interior designs and decorations such as layout plans, image boards, computer generated images, sample boards, dimensional plans and working details. These deliverable standards and specifications set out, among other things, contents and level of details to be incorporated in different documentations and labelling requirements on samples. New design concepts or style are from time to time explored and introduced into our projects by a designated design management and support team.

To oversee the incorporation of our in-house standards and specifications, we have adopted a dual internal control system. Our Chief Creative Officer, Director of Design and our design management and support team are responsible for, among other things, overseeing the designs and decorations produced by each design and decoration team for each project; while our Directors of Projects and our project management and support team are responsible for overseeing each design team in aspects such as workload assessment, billing matters, project management, contractual issues and client relationships. Such system enables our interior designers and decorators to concentrate on producing quality designs in an efficient manner.

BUSINESS

In recognition of our quality management system, we have obtained the ISO9001:2008 certification for our operation in the PRC and Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints from our clients on our quality of services. Our Directors are of the view that our ability to deliver quality interior design and decorating services provides us with a competitive advantage over our competitors.

We execute our projects effectively and efficiently to meet our clients' requirements.

Apart from our long operating history, reputation and awards, our Directors believe we had been successful in retaining and maintaining business relationships with our clients due to our capability in providing a satisfying project experience to each of our clients in an effective and efficient manner. 87.3%, 71.5% and 70.4% of our revenue were attributable to our recurring clients for FY2015, FY2016 and FY2017, respectively.

As at the Latest Practicable Date, we had more than 20 design and decoration teams with over 380 interior designers and decorators stationed in both the PRC and Hong Kong. Our design and decoration teams work closely with our design management and support team and our project management and support team to understand and fulfil our clients' requests and to deliver our interior designs and decorations efficiently. While our design management and support team ensures our interior designs and decorations are delivered with quality and in accordance with our clients' expectations, our project management and support team is able to take up the role of project management such that different aspects of our clients' demands are well-attended by us. Impact caused by unforeseeable issues, such as sudden increase in workload or extension of project timetable, on the delivery of our quality services is also minimised since we are well supported by teams of interior designers and decorators who can be flexibly assigned to undertake ad hoc tasks or projects within a short period of time. In addition, with offices in Shenzhen, Guangzhou, Beijing, Shanghai and Chengdu, we are in a position to better facilitate and respond to our clients' changing needs from different regions in the PRC in a timely and cost-effective manner. Our local presence and network also allow us to reach out easily to our potential and existing clients for client relationships building.

We have a stable and experienced management team.

We are of the view that the knowledge and stability of our management team has been fundamental to our success and our ability to capture more business opportunities.

BUSINESS

We are led by, among others, (i) our executive Director and Chief Executive Officer, Mr. Siu Man Hei, who has over 26 years of experience in the architecture and interior design and decorating services industry and building industry; (ii) our executive Director and Chief Financial Officer, Mr. Yip Kwok Hung Kevin, who has over 10 years of experience in accounting and financial management; (iii) Mr. Ding Chunya who is our executive Director and a deputy officer of the design committee of the China Building Decoration Association, the PRC; and (iv) Ms. Kau Wai Fun who is our executive Director and has over 10 years of working experience with our Group.

Some of our senior management members have more than 10 years of experience in the interior design and decorating services industry. In particular, Mr. Steve Leung, our founder and a renowned architect, interior and product designer, has more than 30 years of experience in the interior design and decorating services and architecture industries and has been actively involved in our business operations since our establishment. Some of our senior management members have more than eight years of experience in accounting and financial management. For biographical details of our Directors and senior management, see “Directors and Senior Management”.

We have a strong client base in the PRC and Hong Kong.

During the Track Record Period, we had served over 390 clients, which included well-known hotel operator and developer such as Shangri-la Hotels Pte Ltd. and listed property developers in the PRC and Hong Kong such as K.Wah Real Estates Co., Ltd., Yanlord Land Group Limited, China SCE Property Holdings Limited and Agile Group Holdings Limited. For each of FY2015, FY2016 and FY2017, over 70.0% of our total revenue was attributable to property developers, with our five largest clients all being property developers during the Track Record Period.

We had also derived a significant portion of our revenue from our recurring clients, amounting to 87.3%, 71.5% and 70.4% of our total revenue for FY2015, FY2016 and FY2017, respectively. Our five largest clients for FY2017 had maintained business relationships ranging from three years to eleven years with us. For details of our clients, see “Our Clients” in this section.

By maintaining close relationships with our clients, we believe we are in a better position to understand the needs and preferences of our clients. Further, our ability to maintain stable relationships with property developers in the PRC and Hong Kong has enhanced our corporate profile and provided a stable source of revenue to our Group.

BUSINESS STRATEGIES

In order to achieve sustainable business growth and enhance our competitiveness, we intend to pursue the following business strategies:

We will further strengthen our Interior Design Services.

According to the Frost & Sullivan Report, the interior design and decorating services market is highly fragmented and competitive, with the largest market player contributing less than 0.5% of the total market share in terms of revenue in FY2017 in the PRC and Hong Kong. In FY2017, the residential segment accounted for less than 5% of the market share in each of the interior design and decorating services markets in the PRC and Hong Kong. In addition, specialised interior design services which focus on elderly, medical care and environment have been identified as one of the growing market potentials. Therefore, our Directors believe the market mainly driven by the real estate market and the renovation cycle which in turn promote the demand for our services in both new and existing properties when clients would like to maximise and/or improve the functionality and aesthetics of their properties, still offers vast potential for our Group to further expand our market share by penetrating into new market segments.

During the Track Record Period, we had been able to grow and capture the market demand and recorded a significant growth of 50.9% and 66.8% in revenue and gross profit from the provision of Interior Design Services, respectively. Our Directors believe that, only when we have sufficient qualified and talented interior designers, we would be able to continue this growth momentum and secure and undertake more projects while ensuring the consistent delivery of quality work. Therefore, recruitment of additional talents is crucial and necessary to our expansion plan and sustainability of business. In order to undertake more Interior Design Services projects in both our existing target markets and new market segments, we need to expand our existing design teams and build up our capability in specialisation.

- Expanding our existing design teams: Leveraging on the availability of talented interior designers with relatively lower staff costs in the PRC, we intend to expand our existing operations in Beijing and Shanghai. Other than recruitment of interior designers, senior managerial roles will also be added and recruited.
- Developing our specialisation: Leveraging on our experience in cooperating with specialist sub-consultants and the business network of Jangho Group in architecture and construction and healthcare and medical services, we will first build up our specialisation through cooperation with sub-consultants with expertise in specialised designs of aspects such as elderly, medical care and environment. In the long run, we intend to recruit interior designers with specific skills and experience and to train up our own interior designers. As at the Latest Practicable Date, we engaged a consultant to provide advices on elderly and medical care specialised design projects.

BUSINESS

- Expanding our headquarters and offices: To cater the expected increase in overall headcount in our Hong Kong office, we need to expand our headquarter by leasing a larger premise of up to 1,100 sq.m. at the same office building. To cope with the increase in headcount in the PRC, we would also need to lease and set up a larger office premises with a total gross floor area of approximately 500 sq.m. and 1,600 sq.m. for our Beijing and Shanghai operations, respectively. As at the Latest Practicable Date, while we had not identified any office premise in Beijing for our expansion plan, we had entered into a lease agreement for each of the Shanghai office which became effective in October 2017 (i.e. PRC Property P) and the Hong Kong office which became effective in December 2017 (i.e. Hong Kong Property B). For details, see “Properties” in this section.

In view of our proven track record of successfully capturing the market demand, the possible synergies generated by our existing services and the additional revenue to be derived from the new market segments through the timely implementation of the abovementioned expansion plan, we believe we would be able to continue to achieve growth and sustainable development in the interior design and decorating services industry.

We will further develop our Interior Decorating & Furnishing Services.

Part of our Interior Decorating & Furnishing Services started off as value-added services offered under our Interior Design Services. In view of its market potential, our management decided to commit resources in developing our Interior Decorating & Furnishing Services. In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major types of services when Steve Leung Lifestyle was incorporated and our decoration teams were formally organised into an individual operating business unit. During the Track Record Period, 4.1%, 7.8% and 16.3% of our total revenue were derived from our Interior Decorating & Furnishing Services, respectively, and we recorded a significant growth of 592.5% and 77.5% in revenue and gross profit, respectively. Noting that the advantage of being able to offer one-stop services to our clients and the natural demand for FF&A whenever a residence is ready for move-in, we plan to increase our resources to further develop our Interior Decorating & Furnishing Services and undertake more Interior Decorating & Furnishing Services projects, preferably large-scale projects with larger contract sum.

BUSINESS

In particular, according to the Frost & Sullivan Report, there has been a growing trend for fully-furnished residence in newly completed residential developments in both the PRC and Hong Kong in recent years. Under the concept, new residential developments may be marketed as fully-furnished residence which are ready for move-in. As an Interior Design Services and Interior Decorating & Furnishing Services provider, we may be engaged by either the property developer or the end users upon recommendation or endorsement of the property developer for providing a number of decoration proposals as options for the individual private clients of the residential development. If a particular proposal is chosen, we shall be responsible for the interior decoration of residence. As at the Latest Practicable Date, we had been awarded 26 contracts under Interior Decorating & Furnishing Services for fully-furnished residence under such concepts by 25 end users of a housing estate.

In order to capture future opportunities and to continue with our growth momentum as stated above, we intend to commit resources in strengthening each of our operating processes for Interior Decorating & Furnishing Services, from decorating, sourcing and procurement, warehousing and logistics to marketing:

- Expanding our existing decoration teams: We plan to recruit additional interior decorators including senior managerial roles.
- Expanding and diversifying our FF&A catalogue: During the Track Record Period, the FF&A were generally procured on a back-to-back basis when our clients confirmed our engagement and payments were received from them. To enhance our work cycle and to ensure our FF&A catalogue is not limited by factors such as long lead time, inventory bulk purchases is anticipated. Our financial position would therefore need to be strengthened in order to support the anticipated increase in sourcing and procurement activities, in particular when advance payments or deposits would typically be demanded by the suppliers. Since it is very likely that such payments would have to be made prior to any engagement or receipt of fees from our clients, cash outflow will be inevitable which would affect our capability to develop our Interior Decorating & Furnishing Services. The net proceeds from the Global Offering will therefore also serve to strengthen our available financial resources and provide flexibility for us to undertake large-scale Interior Decorating & Furnishing Services projects that require advance inventory procurement. Additional procurement personnel and inventory and logistic management personnel would also be recruited to support our procurement activities.
- Increasing our marketing efforts: We will invest more resources in order to participate and organise more exhibitions, produce mock-up models for our potential clients and arrange for media exposure through, among other things, publication of our work collections and column writing in magazines.

We will further develop our Product Design Services.

As our Product Design Services are considered to be complementary to our Interior Design Services and Interior Decorating & Furnishing Services, we will recruit more product designers and commit more resources in researching and developing the latest skills, technics and trends on product design. Our Product Design Services would be developed in parallel with our Interior Design Services and Interior Decorating & Furnishing Services to capture the cross-selling opportunities.

We will pursue growth through selective mergers and acquisitions.

Our Directors are of the view that the market in which we operate is fragmented and therefore offer many opportunities to expand and strengthen our business through acquisitions. The PRC remains to be one of our major markets with its increasing living standards and urbanisation rate. Accordingly, we plan to selectively acquire one to two small-scale interior design and decorating services companies in the PRC which (i) have strong interior design and decorating teams with experience working on PRC projects and different categories of interior design and decorating services projects; (ii) are capable of independent profitable operation; and (iii) are generally complementary to our design and operational value.

As at the Latest Practicable Date, we had not identified any potential acquisition target or initiated negotiations for any acquisition.

We plan to improve our information technology systems.

We intend to allocate more resources for the maintenance and development of our information technology systems. For further details of our existing information technology systems, see “Information Technology” in this section. As our business continues to develop, we need to enhance our operational efficiency to achieve effective cost control. Therefore, other than maintaining our existing systems, we plan to invest in enterprise resource planning system to streamline and automate daily operation flow and acquiring new computers and servers to upgrade our existing hardware.

We will continue to enhance our brand recognition.

We believe that our brand and reputation has been paramount to our growth and will underpin our development in the future. We will continue to focus on delivering a consistent and unified brand image of an Interior Design Services and Interior Decorating & Furnishing Services provider. We believe that the visibility of our past projects has been one of our advertisements and has enhanced the recognition of our brand. Through the Listing, our Directors believe that the profile and public awareness of our Group and our industry will be significantly enhanced and this will form the

BUSINESS

foundation for our Group to expand and grow in the future. Going forward, we will continue our current public relations and marketing strategies and commit more resources in our sponsorship programme, participate in more industry exhibitions and forums and arrange for media exposure through, among other things, press interviews and participation of media programmes.

For details on the allocation of our net proceeds from the Global Offering, see “Future Plans and Use of Proceeds”.

BUSINESS MODEL

We provide three major types of services to our clients according to their specific demands. A brief description of each of our three major types of services is as follows:

Interior Design Services : Our Interior Design Services typically involve: the development and delivery of concept design, detail design and project documentation, followed by construction supervision.

During the Track Record Period, majority of our revenue attributable to Interior Design Services were generated from our service fee which is generally a fixed fee payable according to the payment schedule with reference to our key work stages such as concept design, detail design, project documentation and construction supervision.

Further details on our interior design process are set out in “Operation Flow” in this section.

Interior Decorating & Furnishing Services : Our Interior Decorating & Furnishing Services typically involve: (i) the further development and delivery of concept design and detail design to furnish the functional space created in our Interior Design Services; and (ii) the procurement, supply, installation and/or setting up of FF&A.

BUSINESS

Part of our Interior Decorating & Furnishing Services started off as value-added services offered under our Interior Design Services. In view of its market potential, our management decided to commit resources in developing our Interior Decorating & Furnishing Services. In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major type of services when Steve Leung Lifestyle was incorporated and our decoration teams were formally organised into an individual operating business unit. During the Track Record Period, our revenue attributable to Interior Decorating & Furnishing Services were generated from two components, namely our service fee and our income from supply of FF&A. Our service fee is generally a fixed fee payable according to the payment schedule with reference to our key work stages such as concept design and detail design, while we generally require our clients to pay part of an agreed fixed fee prior to procurement of FF&A and the remaining payments with reference to the schedule of delivery and installation of FF&A.

During the Track Record Period, our Interior Decorating & Furnishing Services projects were generally awarded to us by clients who engaged us for Interior Design Services.

Further details on our interior decoration process are set out in “Operation Flow” in this section.

Product Design Services : Our Product Design Services involve: the development and delivery of design concepts and design intent drawings and the proposal of materials, colours and textures to be used for the product. We are not involved in the manufacturing process.

During the Track Record Period, our revenue attributable to Product Design Services were derived from a fixed service payable with reference to work stages and licence fee payable usually quarterly or semi-annually by our clients.

BUSINESS

For FY2015, FY2016, and FY2017, we had a total number of 356, 534 and 656 contracts, respectively. The following table sets forth a breakdown of our revenue and the number of our revenue generating on-going and completed contracts by types of services during the Track Record Period:

	FY2015			FY2016			FY2017		
	No. of	Revenue		No. of	Revenue		No. of	Revenue	
	contracts	recognised		contracts	recognised		contracts	recognised	
	HK\$'000	%		HK\$'000	%		HK\$'000	%	
Interior Design Services									
Contracts completed as of the end of the year	81	19,680	7.9	167	21,842	6.9	190	14,708	3.4
Contracts on-going as at the end of the year	227	219,187	87.7	300	270,291	84.8	403	345,770	79.5
Interior Decorating & Furnishing Services									
Contracts completed as of the end of the year ^(Note 1)	25	2,471	1.0	44	7,227	2.3	99	54,244	12.5
Contracts on-going as at the end of the year ^(Note 2)	58	7,738	3.1	133	17,566	5.5	187	16,456	3.8
Product Design Services									
Contracts completed as of the end of the year	1	200	0.1	-	-	-	-	-	-
Contracts on-going as at the end of the year	4	589	0.2	6	1,682	0.5	11	3,644	0.8
	<u>396</u>	<u>249,865</u>	<u>100.0</u>	<u>650</u>	<u>318,608</u>	<u>100.0</u>	<u>890</u>	<u>434,822</u>	<u>100.0</u>
Less: No. of contracts which involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services ^(Notes 1 and 2)	<u>(40)</u>			<u>(116)</u>			<u>(234)</u>		
Total number of contracts	<u><u>356</u></u>			<u><u>534</u></u>			<u><u>656</u></u>		

Notes:

- For FY2015, FY2016, and FY2017, two, four and 55 completed contracts involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services, respectively.
- As at 31 December 2015, 2016 and 2017, 38, 112 and 179 on-going contracts involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services, respectively.

BUSINESS

Our Major Projects

During the Track Record Period, we had completed a total of 546 contracts for the provision of Interior Design Services, Interior Decorating & Furnishing Services and Product Design Services.

A brief description of our four major categories of Interior Design Services and Interior Decorating & Furnishing Services projects ^(Note 1) is as follows:

Categorisation	Major type of client	Design and/or decoration space	Duration ^(Note 2)
Residential project	Property developer Building contractor	– Show flat – Sales office – Standard provision – Club house – Public space of a residential building	304 to 483 days
Private residence project	Individual private client Private corporation	– Apartment – Penthouse – Villa	58 to 892 days
Hospitality project	Restaurant operator Hotel operator and developer Property developer Private corporation	– Chain restaurant – Individual restaurant – Hotel – Serviced apartment – Retail shop – Shopping mall – Beauty and wellness centre	43 to 374 days
Commercial project	Private corporation Property developer	– Office premises – Public space of an office building	332 to 906 days

Notes:

1. Our other projects included composite projects, education institution projects, healthcare projects and projects which could not be categorised based on types of property development, such as Product Design Services projects and procurement, supply, installation and/or setting up of FF&A under Interior Decorating & Furnishing Services.
2. Our projects undertaken during the Track Record Period varied in specification, complexity, location and we may be engaged by our clients at different stages (starting from preliminary planning stage of a property project up to the near completion stage of construction). As such, the duration of each project may vary significantly. We consider a project as being commenced with reference to the date of the formal contract or the date of our client counter-signing the written confirmation on our engagement. We consider a project as being completed when our work has been completed in accordance with our contract at which a final invoice would be issued by us.

BUSINESS

The following table sets forth the contract sum summary of our four major categories of Interior Design Services and Interior Decorating & Furnishing Services projects awarded to our Group during the relevant years:

	Total contract sum		
	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interior Design Services projects			
Residential project ^(Note)			
Contract sum of HK\$1.9 million or above	178,288	182,820	202,508
Contract sum below HK\$1.9 million	38,692	94,642	81,214
Private residence project ^(Note)			
Contract sum of HK\$2.5 million or above	13,822	24,075	55,476
Contract sum below HK\$2.5 million	7,432	4,448	9,221
Hospitality project ^(Note)			
Contract sum of HK\$1.2 million or above	11,682	43,891	38,780
Contract sum below HK\$1.2 million	6,696	4,650	10,042
Commercial project ^(Note)			
Contract sum of HK\$0.7 million or above	4,892	7,645	20,822
Contract sum below HK\$0.7 million	1,543	480	8,034
Interior Decorating & Furnishing Services projects			
Residential project ^(Note)			
Contract sum of HK\$0.7 million or above	71,402	46,138	45,320
Contract sum below HK\$0.7 million	13,899	18,900	18,793
Private residence project ^(Note)			
Contract sum of HK\$0.3 million or above	–	–	2,885
Contract sum below HK\$0.3 million	355	485	405
Hospitality project ^(Note)			
Contract sum of HK\$0.3 million or above	360	1,146	2,344
Contract sum below HK\$0.3 million	834	627	1,785
Commercial project ^(Note)			
Contract sum of HK\$0.1 million or above	–	398	2,086
Contract sum below HK\$0.1 million	30	116	217

Note: Each of the contract sums represents the average contract sum of a particular category of projects awarded to our Group during the Track Record Period.

BUSINESS

The following tables set forth the movement of our Interior Design Services and Interior Decorating & Furnishing Services contracts^(Note 1) during the Track Record Period (including non-revenue generating contracts):

	FY2015	FY2016	FY2017
	HK\$'000	HK\$'000	HK\$'000
Contract sum as at the beginning of the year	305,245	334,041	407,471
Add: Contract sum of new contracts awarded during the year ^(Note 2)	354,094	455,084	523,494
Less: Revenue recognised during the year ^(Note 3)	(249,076)	(316,926)	(431,178)
Less: Purchase made by the Group ^(Note 4)	(32,367)	(46,426)	(8,687)
Less: Contract sum amended due to change of scope of services ^(Note 5)	(45,334)	(21,765)	(74,564)
Add: Exchange difference	1,479	3,463	6,061
Contract sum as at the end of the year ^(Note 5)	334,041	407,471	422,597

Notes:

1. During the Track Record Period, only one Product Design Services contract was completed in FY2015. Therefore, movement of Product Design Services contracts is not included in the table. The revenue recognised during the year also does not include revenue attributable to Product Design Services.
2. In September 2016, we acquired the majority interest in Gangyuan Design and Gangyuan Design became our non-wholly owned subsidiary. For details, see "History, Development and Reorganisation – Corporate Development – Our subsidiaries – Gangyuan Design". For FY2016, HK\$20.1 million of the contract sum of 118 new contracts awarded during the year represented contract sum attributable to Gangyuan Design at time of acquisition and the contract sum of new contracts awarded to Gangyuan Design after the acquisition.
3. The revenue recognised during the year was attributable to Interior Design Services and Interior Decorating & Furnishing Services contracts ongoing and completed as at the end of year.
4. For FY2015, FY2016 and FY2017, purchase was made by our Group for procurement, supply, installation and/or setting up of FF&A under the provision of our Interior Decorating & Furnishing Services.
5. Among our contract sums as at 31 December 2015, 2016 and 2017, HK\$56.0 million, HK\$104.8 million and HK\$58.7 million were attributable to projects which were suspended, respectively, mainly due to reasons beyond our control, such as change of market conditions and project re-positioning which led to our clients initiating suspension of projects or delay in agreed schedule. Contracts become suspended when there are delay in the agreed schedule for more than one year or upon the notification of our clients.

Among the suspended contracts as at 31 December 2017, the corresponding amounts due from customers for contract works collected as at the Latest Practicable Date amounted to nil, with HK\$6.4 million remaining outstanding, of which provision of HK\$3.2 million was made as they were considered irrecoverable. The remaining HK\$3.2 million outstanding amounts due from customers for contract works were considered to be recoverable after considering the clients' high creditworthiness, past settlement history and our ongoing settlement negotiations with the clients. As at the Latest Practicable Date, six suspended contracts with an aggregate contract sum of HK\$2.9 million as at 31 December 2017 had been terminated.

The contract sum amended due to change of scope of services increased significantly for FY2017 mainly because of the increase in the number of suspended projects being terminated by our Group after evaluation of the latest project status.

For associated risk factor, see "Risk Factors – Risks relating to our Business – Our service fee may not be paid in full due to variation, suspension or termination of contracts."

BUSINESS

	FY2015	FY2016	FY2017
No. of Interior Design Services and Interior Decorating & Furnishing Services contracts as at the beginning of the year	264	359	581
Add: No. of new contracts awarded during the year	236	491	454
Less: No. of contracts completed during the year ^(Note 1)	(141)	(269)	(359)
No. of Interior Design Services and Interior Decorating & Furnishing Services contracts as at end of the year ^(Note 2)	359	581	676

Notes:

1. Among the completed contracts, 35, 58 and 70 contracts were mainly (i) contracts which were only formally approved as completed contracts during the respective years even though project work were completed in accordance with the contracts in the preceding years; and (ii) contracts which were terminated during the respective years after becoming suspended in the preceding years.
2. Among the on-going contracts, 74, 148 and 86 contracts were mainly (i) contracts which were suspended during the respective years; and (ii) contracts which had not commenced work during the respective years after execution such as Interior Decorating & Furnishing Services contracts which typically commence work at a later stage.

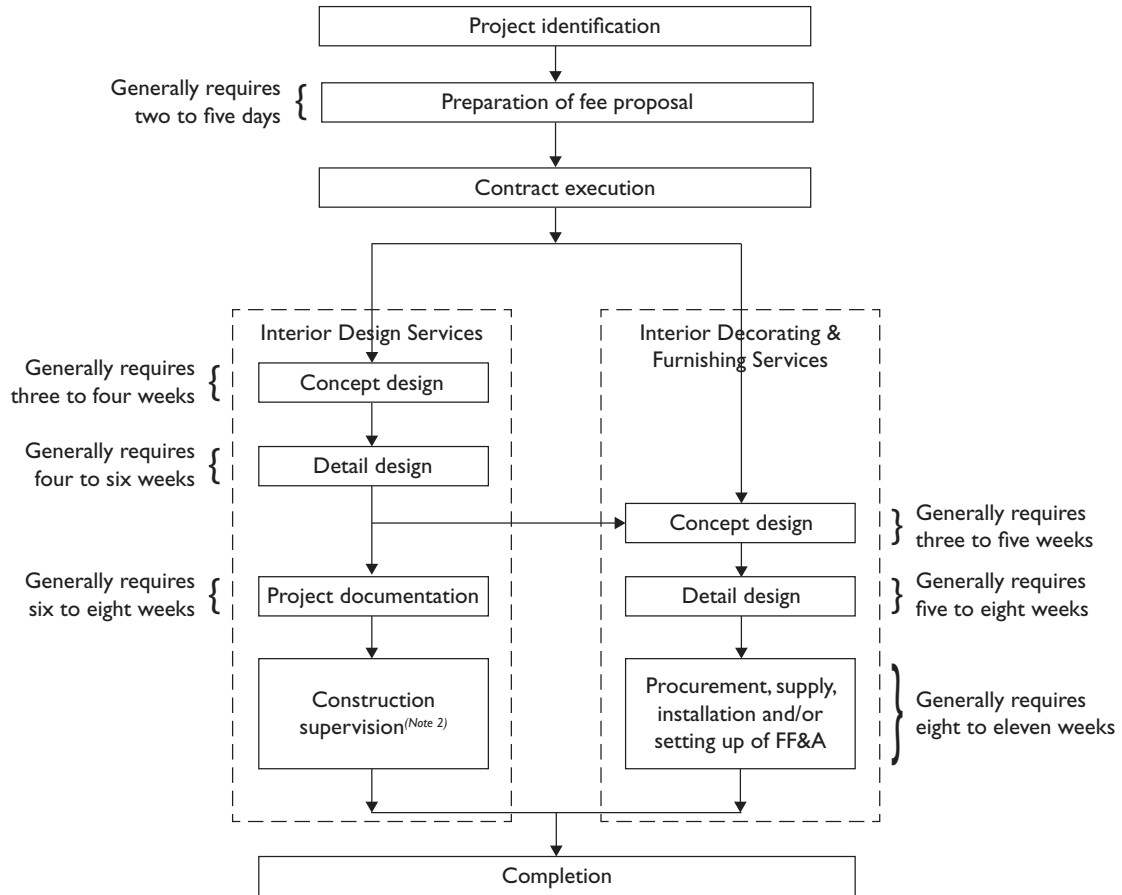
The following table sets forth the summary of our on-going and new contracts as at 31 December 2017 and the Latest Practicable Date, respectively:

	For FY2018		
Remaining revenue expected to be recognised from the on-going contracts as at 31 December 2017 HK\$'000	Revenue expected to be recognised from the 164 new contracts entered into by the Group after 31 December 2017 and up to the Latest Practicable Date HK\$'000	Total HK\$'000	
Interior Design Services	169,806	124,811	294,617
Interior Decorating & Furnishing Services	25,724	39,877	65,601
Product Design Services	3,339	751	4,090
	198,869	165,439	364,308

BUSINESS

OPERATION FLOW

The general operation and timeline for our (i) Interior Design Services; and (ii) Interior Decorating & Furnishing Services in a typical residential project^(Note 1) is illustrated by the following chart and key stages:



Notes:

1. For each of FY2015, FY2016 and FY2017, over 70.0% of our revenue was contributed by our residential projects.
2. Since we may be engaged by our clients for residential projects at different stages (starting from preliminary planning stage of a property project up to the near completion stage of construction), our construction supervision periods varies greatly generally from three months to 18 months during the Track Record Period.

Project identification

Our projects were mainly secured through (i) recurring clients; (ii) referrals; and (iii) direct request for proposal from our new clients.

During the Track Record Period, we had secured four contracts of an aggregated original contract sum of RMB11.6 million through an internal referral arrangement implemented by Jangho Co.. Under the arrangement, we had paid HK\$0.2 million to 北京承達創建建築裝飾工程有限公司, a related party of our Group, for the referral of the four contracts during the Track Record Period. Such internal referral arrangement was implemented by Jangho Co. to encourage referrals of business among the companies within Jangho Group. If our Group enters into any contract under such arrangement with any of our connected person after the Listing, we will comply with the relevant requirements under Chapter 14A of the Listing Rules when conducting such transaction.

As at the Latest Practicable Date, we had also entered into agreements with business consultants to promote our services in the PRC. The business consultants would only receive commission when projects are successfully awarded to us. The commission is calculated as a certain percentage of the contract sum. As at the Latest Practicable Date, we had entered into an exclusive sales agency agreement with a real estate agency in the PRC with respect to the promotion of our services in a particular housing estate. Commission based on the awarded contract sum (net of tax) and certain performance bonus is payable to the sales agent. The agreement shall expire on 30 June 2018. During the Track Record Period and up to the Latest Practicable Date, HK\$1.1 million was paid by us to such business consultants and sales agent. To the best knowledge and information of our Directors, all business consultants and sales agent were Independent Third Parties as at the Latest Practicable Date.

The factors we generally take into account when evaluating the potential of a project include the scope of services to be provided, the work programme and the nature, location, scale, complexity and market positioning of the project.

Preparation of fee proposal

When we identify any potential project, our account servicing team is responsible for preparing a fee proposal to be approved by our management. Information in respect of the potential project, such as target end users, market positioning, design style and project nature and scale, would be gathered for quotation purposes. The fee proposal is generally determined based on (i) reference unit price formulated for different categories of projects and services; and (ii) design area, adjusted by factors such as the total scope and volume of work, the identity and our relationship with the client, the number of contracts awarded by the client at the relevant time and the market conditions. For details of our pricing policy, see “Sales and Marketing – Pricing policy” in this section.

Occasionally, we may provide our previous work collection to the potential client as reference upon request.

BUSINESS

Contract execution

Our account servicing team will proceed to prepare a contract when the potential client agrees to the fee proposal. During the Track Record Period, the contracts we entered into with our clients were typically in our standard forms, the salient terms of which are set out below:

- | | | |
|------------------------|---|--|
| Contract period | : | We usually follow an agreed schedule based on the typical time required for a particular stage or deliverable set out in the contract. For the typical duration of our projects during the Track Record Period, see “Business Model – Our major projects” in this section. |
| Service fee | : | Depending on the overall change(s) involved, our fee may be adjusted or maintained if the actual design scope and area is different from the specifications stated in the contract. |
| Payments | : | Our client shall pay us in instalments, based on the major stages of our work executed during the course of the project (namely, concept design, detail design, project documentation and construction supervision in Interior Design Services). |
| Variations of drawings | : | If substantial adjustment is to be made to the drawings and documents previously approved by our client, the parties shall be required to enter into a separate engagement or supplemental agreement setting out a reasonable fee and delivery schedule. |

BUSINESS

Suspension or delay of project	:	A prior written notice is required from our client prior to any suspension of project. If no such written notice is received or the project could not be resumed within a specified period of time after the issuing of notice, we may unilaterally terminate the engagement. A new engagement shall be re-negotiated if the project is resumed thereafter.
Termination	:	If our client unilaterally terminates our engagement, a prior written notice is required from our client and our client shall pay for our work done so far and all payments previously made shall not be refundable. If we unilaterally terminate our engagement, we shall be liable to refund any deposit money paid by our client and liable for compensation.
Compensation	:	The amount of compensation payable by any party shall not be higher than the contract sum.
Copyright and ownership of our work	:	The copyright in our work will remain our client's and/or our property depending on the negotiation in our engagement.

Upon receipt of the counter-signed contract from the client, we would start working on the project. In some occasions, we may be required to commence work before the execution of the formal contract. In such circumstances, our client would generally need to provide us with written confirmation on our engagement in advance, which sets out the service fee, payment method and design scope.

An Interior Design Services project is assigned by the Directors of Projects to a design team which would be further handled by one or more sub-teams after considering the location of the project, the capacity of the team, the progress and schedule of the existing projects working by the team and the expected commencement date of the project. A design team typically comprising seven to 20 interior designers is led by a Design Director. Depending on the nature, scale or complexity of the projects and/or upon request of the Design Director, a Project Manager may be assigned to assist the design team in, among other things, managing and coordinating project progress and contractual matters.

An Interior Decorating & Furnishing Services project is assigned by the Art Directors to a decoration team typically comprising three to 10 interior decorators led by an Associate Art Director or Senior Decorator.

Interior Design Services

Concept design

Upon engagement by our client, our Design Director would take the lead to commence the project and acquire detailed information on the project. These information would typically include master layout plan, architectural, structural and M&E drawings, project scope, design brief, market positioning, budget and work programme.

In general, we require three to four weeks to prepare and deliver mainly the following deliverables to our client:

- preliminary layout plan that defines the functional zoning of the interior space and the activities that will take place in those zones and the placement of key furniture;
- concept images and mood pictures to convey the overall design direction; and
- images and photos of preliminary material proposal for major interior space.

Detail design

Our design team would commence detail design after our concept design is approved by our client.

In general, we require four to six weeks to prepare and deliver mainly the following deliverables to our client:

- refined layout plans including proposed floor finishes, reflected ceiling plans, perspectives or elevations of major interior space;
- furniture layout plan;
- sample boards of selected major furnishing materials; and
- images of decorative lighting, fixtures and selected furniture.

Project documentation

After the detail design is accepted by our client, we will further develop our design in detail to ensure that the design can be properly delivered in the construction stage. Generally, we will be required to coordinate with other consultants engaged by the client or the sub-consultants engaged by us for preparation of project documentation. For example, we will coordinate with the M&E consultants on the headroom of the false ceiling, location of equipment, ducting and drainage layout. Details, such as pattern of floor finishes, placement of lighting electric controls and sockets, panel size, interface details and joint details, would be accurately included with dimension at appropriate scales in the project documentation for construction purposes. We will also prepare the specifications for all materials, fittings and finishes and specify any other requirements deemed necessary to ensure quality of works and for future inspection purposes.

In general, we require six to eight weeks to prepare and deliver mainly the following deliverables to our client:

- detailed layout plans, ceiling plans, sections, elevations and detail drawings;
- furniture layout plan;
- schedules and specifications of finishes, ironmongery, sanitary ware, material, decorative lightings, carpet, curtain and furniture; and
- samples of all materials and finishes which shall be properly labelled and referenced.

The project documentation may be used by our client for the engagement of contractors.

During the Track Record Period and prior to our acquisition of Gangyuan Design in September 2016, we did not provide any Interior Design Services which would directly involve us producing or delivering any construction documentation to the relevant government authorities in the PRC for official submission and approval. Such construction documentation were prepared and delivered to the relevant government authorities in the PRC by third party sub-consultants engaged by us or the contractors engaged by our clients for official submission and approval based on our deliverables as and when necessary.

BUSINESS

As at the Latest Practicable Date, Gangyuan Design was a holder of the engineering design qualification certificate (工程設計資質證書) in grade A professional building decoration engineering and design (建築裝飾工程設計專項甲級) in the PRC. Upon acquisition of Gangyuan Design, our services had been expanded to include the preparation and delivery of construction documentation for official submission with the relevant government authorities in the PRC. For FY2016 immediately after the acquisition, we were required to provide such services in 108 contracts, all of which attributable to Gangyuan Design.

Construction supervision

We do not provide fitting-out services. Occasionally, upon request by our client, we may recommend a few fitting-out contractors.

We are mainly responsible for the inspections of the construction works carried out by the contractors engaged by our client and review of contractors' submissions including shop drawings, material samples and mock-ups in accordance with our project documentation. We will also respond to any query raised by the contractors during the course of construction work. Our supervision aims to ensure the contractors execute the project in accordance with our project documentation. Unless specifically requested by our client, we do not generally exercise direct control over the contractors engaged by our client and are not responsible for the overall project supervision and management, such as the timely completion of construction works.

At this stage, we may still receive comments on the design from our client and would be required to revise or refine our design if necessary. Occasionally, we may be required to submit site inspection report(s) to the client after site inspection(s).

Interior Decorating & Furnishing Services

Concept design

If we are also engaged to provide Interior Decorating & Furnishing Services, we would usually require three to five weeks to prepare and deliver the concept design based on the detail design developed in our Interior Design Services. The concept design usually contains preliminary layout plan for major FF&A, concept images and mood pictures to convey the overall design direction, work programme and preliminary cost estimate.

Detail design

We would usually require five to eight weeks to prepare and deliver the detail design to our client. The detail design usually contains list of FF&A for each interior space, detailed decoration layout plan, elevations of interior space in relation to major FF&A, detailed cost estimate and work programme.

BUSINESS

Procurement, supply, installation and/or setting up of FF&A

Having established a network of overseas and local FF&A suppliers, we are able to procure and supply a variety of FF&A for our client. Furthermore, upon request of the client, we could be engaged to provide services in assisting our client to install and set up the FF&A to ensure the full realisation of our decoration concept after the detail design is approved. Prior to ordering any FF&A from the list of FF&A approved by our client, we typically require the suppliers to provide us with quotations specifying the price and the delivery time. For some FF&A which we consider to be commonly applicable in our interior designs and decorations, procurement had been made prior to any confirmed order from our clients. These FF&A formed part of our FF&A catalogue.

Typically, the suppliers or the third party transportation services providers engaged by us will be responsible for delivering the FF&A to the designated site within the agreed period of time stipulated in the contract.

When all FF&A arrive at the site, we will commence the installation and setting up process. Our client will provide us with an acknowledgement after the FF&A are inspected by our client.

Completion

The project is considered to be completed when our work has been completed in accordance with our contract at which (i) a final invoice would be issued by us; and (ii) remaining revenue of the project would be fully recognised at the same time.

QUALITY CONTROL

Our quality control team comprised of our Chief Creative Officer, our Director of Design, two Directors of Projects, our design management and support team and our project management and support team. Save for our Director of Design who was recently promoted, our Chief Creative Officer and two Directors of Projects are also members of our senior management. For details of their biography, see “Directors and Senior Management”.

We have in place a well-established design quality internal control system covering key areas of our operation from recruitment and on-job training of interior designers and decorators to supervision throughout the course of our project.

Most of our interior designers and decorators are graduates specialising in interior design and/or decoration. Once recruited, orientation and on-job training on our in-house standards and specifications will be provided. The performance of these new recruits would be assessed by our Design Directors, Associate Art Directors and Senior Decorator who will determine if they have passed their probation.

BUSINESS

Since 2014, we have adopted a dual internal control system to ensure the quality of our services. Our Chief Creative Officer, Director of Design and our design management and support team are responsible for, among other things, overseeing the designs produced by each design and decoration team for each project, while our Directors of Projects and our project management and support team are responsible for overseeing each design team in aspects such as workload assessment, billing matters, project management, contractual matters and client relationships.

For each of the deliverables in our interior designs and decorations, such as layout plans, image boards, computer generated images, sample boards, dimensional plans and working details, our interior designers and decorators are required to adopt our in-house standards and specifications formulated by Mr. Steve Leung and our Chief Creative Officer, such as contents and level of details to be incorporated in different documentations, labelling requirements on samples and the typical scope of work. On-job trainings and project sharings on, among other things, design solutions and illustrations for different interior space and environments and the latest design trends, styles and available materials and technics are also arranged for our interior designers and decorators.

Our design and decoration teams are required to submit the deliverables of each key stage to our Chief Creative Officer and Director of Design through their Design Directors for interior designs and their Senior Decorator, Associate Art Directors and Art Directors for interior decorations for approval before releasing them to our clients.

We have obtained the ISO9001:2008 certification on quality management system standard applicable to the provision of interior design and project management services since May 2016 for our operation in the PRC and Hong Kong. For details, see “Awards and Accreditations” in this section.

SALES AND MARKETING

During the Track Record Period, our major clients and projects were primarily property developers and the residential projects, respectively; and we were known for targeting the high-end market of residential, private residence and hospitality projects.

An unified brand image and clear marketing position and visibility have therefore been instrumental in developing our business. We have a communications team dedicated to the promotion and enhancement of our brand and corporate image by, among other things, developing various marketing tools and facilitating external communications. A marketing team is also set up in 2015 for market data analysis and formulation and execution of sales and marketing strategies.

BUSINESS

We regularly participate in industry-related forums and events and competitions organised by the PRC, Hong Kong and overseas interior design and decoration organisations, such as Business of Design Week organised by Hong Kong Design Centre, Guangzhou Design Week endorsed and promoted by the International Federation of Interior Architects/Designers and Beijing Design Week organised by the Ministry of Culture of the PRC and Beijing Municipal Government to facilitate media and industry relations. From time to time, public relation activities, such as press release on the details of particular project, column writings or media interviews would also be arranged by our communications team to maintain media relations and brand exposure. Work collections would be published and distributed to media and clients and support is provided to our design and decoration teams by compiling promotional collaterals and coordinating media publicity events when requested by our clients for individual projects. We had also engaged third party marketing agencies to develop our public relations and marketing strategies.

Our branding and marketing strategies are evaluated from time to time by our management. For FY2015, FY2016 and FY2017, our expenses relating to our branding and marketing activities amounted to 0.5%, 0.6% and 0.9% of our total revenue, respectively.

Pricing policy

During the Track Record Period, our revenue was mainly derived from (i) our service fee for the provision of Interior Design Services; (ii) the aggregate of service fee for the provision of Interior Decorating & Furnishing Services and income from supply of FF&A under Interior Decorating & Furnishing Services; and (iii) the aggregate of service fee for the provision of Product Design Services and the licence fee for the subsequent use of our design, with most of our total revenue attributable to the service fees we received.

Our service fee for Interior Design Services and Interior Decorating & Furnishing Services is determined on a case-by-case basis with reference to (i) reference unit price formulated for different categories of projects and services; and (ii) design area, adjusted by factors such as the total scope and volume of work, the identity and our relationship with the client, the number of contracts awarded by the client at the relevant time and the market conditions. The reference unit price has taken into account our target margin, our historical service fee, anticipated design work and target market. In general, in line with our marketing position and strategy in targeting high-end market of residential, private residence and hospitality projects, the unit price for private residence projects is the highest, followed by residential projects. The unit price for commercial projects is generally the lowest due to the relatively simpler design requirement. Our management would review the reference unit price regularly to ensure the competitiveness of our service fee and maintain our profitability.

BUSINESS

We charge our clients based on an agreed lump sum fee for the supply of FF&A. The agreed lump sum fee which shall not be adjustable has taken into account, among other things, the estimated procurement and travelling costs for the project and our target margin. From time to time, the FF&A may also be procured by us on behalf of our clients which our clients shall pay us the actual procurement costs for the project.

Our service fee for Product Design Services is determined on a case-by-case basis with reference to among other things, (i) the product involved; (ii) the requirements of the client; (iii) the complexity of the design work; and (iv) the identity and our relationship with the client. Our licence fee is generally a percentage of the sales amount attributable to the products designed by us, taking into account additional factors such as the pricing and sales arrangement of the product.

During the Track Record Period, we had also received licence fee for the provision of Interior Design Services, which amounted to an aggregate of HK\$0.6 million. For details, see “Our Clients – Long-term agreements” in this section.

Credit policy

Our management is responsible for formulating our credit policy and our accounting team is responsible for implementing and monitoring the settlement of our receivables from time to time.

A client’s credit quality evaluation is conducted with reference to a number of factors, including its corporate background, reputation, financial position and industry performance. Generally, we do not grant any credit period to our clients. However, for some particular individual clients, credit period is considered on a case-by-case basis, as appropriate. For new clients or clients whom we do not have long standing business relationships with, we typically require those clients to make advance payment upon the commencement of project. The remaining balance would then be mainly paid in the form of instalments to be billed based on the progress of the project. In order to minimise our credit risk, we assess our clients’ credit quality regularly.

As at 31 December 2015, 2016 and 2017, our trade receivables amounted to HK\$22.6 million, HK\$38.1 million and HK\$49.0 million, respectively. For details of our credit policy, see “Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Trade and other receivables”.

OUR CLIENTS

Our clients generally include property developers, individual private clients, restaurant operators, hotel developers and operators, well-known furniture and lifestyle product brands and other private corporations. We served over 390 clients, with over 70.0% of our revenue being contributed by property developers for each financial year during the Track Record Period. For FY2015, FY2016 and FY2017, our five largest clients accounted for 27.8%, 19.5% and 26.8% of our total revenue, respectively. The payments made by our clients to us were in Renminbi, Hong Kong dollar and U.S. dollar and primarily by way of bank transfer.

Our Directors confirm that none of our Directors, their close associates or Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date has any interest in our five largest clients. Our Directors further confirm that none of our major clients during the Track Record Period were our suppliers during the Track Record Period.

Long-term agreements

In April 2013, we had entered into a long term agreement with a UK-based residential and hotel design company (the “UK Company”), pursuant to which the UK Company shall endeavour to identify real estate development projects suitable for our and/or Mr. Steve Leung’s provision of Interior Design Services (the “Projects”). Under the agreement which has a term of 10 years, we were required to provide Interior Design Services by, among other things, creating four design concepts, ideas and styles relating to the interior design and decoration of multi occupation developments and to license the use of such design concepts, the name, image or any other likeness of “Steve Leung” in the UK Company’s promotion and marketing of its association for the Projects. Our Group is entitled to quarterly payment of licence fee determined with reference to a certain percentage of the actual amount of net income attributable to the Projects and received by the UK Company from its employer for its services. A referral mechanism is also provided under the agreement under which the UK Company may receive an introductory fee based on a certain percentage of revenue generated from projects falling outside the scope of the agreement but referred to us by the UK Company, vice versa. In order to accomplish the arrangements under the agreement, a guarantee was therefore provided by Mr. Steve Leung to the UK Company, under which he guaranteed, among other things, he would work with our Group to deliver the abovementioned services to the UK Company. For details, see “Connected Transactions” in this prospectus. The UK Company is a reputable and well-established brand in the industry which is known for cooperating with well-known and reputable interior designers all over the world. Our Directors consider this cooperation is a recognition of our market position and would allow us to leverage the reputation of the UK Company to further enhance our own brand visibility in the market. Based on such understanding, the UK Company and our Group had therefore

BUSINESS

negotiated and eventually agreed on the terms of the agreement (including the provision of guarantee by Mr. Steve Leung) on an arm's length basis. Pursuant to the agreement, the UK Company shall have the right to terminate the agreement with immediate effect by sending a written notice to us in the event that Mr. Steve Leung is no longer with us. During the Track Record Period, our revenue attributable to this agreement amounted to an aggregate of HK\$0.6 million, and we did not pay or receive any introductory fee to or from this client.

As at the Latest Practicable Date, we entered into two long-term non-exclusive cooperation framework agreements with a PRC property developer and a PRC building contractor, respectively, pursuant to which the parties would agree on the unit prices for different categories of Interior Design Services and Interior Decorating & Furnishing Services projects, payment methods and work scope and specifications. One of the framework agreements has a term of five years, while the other agreement has a term of one year. Other than Interior Design Services and Interior Decorating & Furnishing Services, we had also entered into one long-term non-exclusive cooperation framework agreement with our client for provision of Product Design Services setting out the general obligations and arrangement of the parties. Under these agreements, there are no minimum commitment from the clients.

Save for the Product Design Services contracts which are recurring in nature due to the licence fee arrangement and the agreements as disclosed above, we had not entered into any legally binding exclusive long-term agreement with minimum commitment over a specified period of time during the Track Record Period.

OUR SUPPLIERS

Our suppliers generally include traders of FF&A, specialist sub-consultants, renowned interior designers and other ancillary support service providers. We sourced and procured a variety of FF&A from traders of FF&A for our Interior Decorating & Furnishing Services. From time to time, due to the need for specialisation and upon the request of our clients, we would also collaborate with renowned interior designers and engage sub-consultants specialising in design over specialist lighting, signage, M&E and architecture in our Interior Design Services projects. To facilitate cost efficiency and to focus on our core operation flow, we also engage sub-contractors to provide us with ancillary services, such as three-dimensional rendering drawing services.

Collaboration with renowned interior designers

During the Track Record Period, we collaborated with renowned interior designers in providing Interior Design Services through our secondary brand “SLX” under Steve Leung Exchange.

Long-term cooperation framework agreements were entered into by us with selected renowned interior designers to govern the general obligations of the parties, the use of the name and image of the respective parties and the copyright and ownership of work produced during the Track Record Period. The contractual term of these framework agreements ranges from one to three years, subject to automatic renewal. In general, after entering into a separate formal agreement governing a particular project, the renowned interior designers would be responsible for the development and delivery of design concepts, while we would be responsible for liaising with the clients and any third party consultants and for providing project documentation and construction supervision services. The renowned interior designers shall receive their service fee on a back-to-back basis. Payments shall only be made to them upon receipt of the corresponding payment by us from our clients. We do not offer any minimum commitment in terms of contract sum or revenue to the renowned interior designers and the renowned interior designers are not obligated to undertake all projects referred by us under the arrangement.

Engagement of sub-consultants

We select our sub-consultants with reference to a number of factors, including (i) experience such as their reputation, job reference and projects involved; (ii) performance in previous engagements with our Group; (iii) relevant qualifications possessed; (iv) their service fee; and (v) quality of their services. An approved supplier and sub-consultant list is maintained by our Group. For further details, see “Our Suppliers – Selection and evaluation of suppliers” in this section.

Our sub-consultants are engaged on a project-by-project basis. The sub-contracting service agreements typically set out the design area, scope of services, service charge and payment method. It is our policy to diversify our base of sub-consultants which offer competitive prices and on the other hand maintain stable business relationship with the sub-consultants with higher quality of services.

Engagement of sub-contractors

During the Track Record Period, in order to ensure service quality, we entered into four long-term service agreements with sub-contractors including Supplier J, for the provision of three-dimensional rendering drawing services. The long-term service agreements each has a fixed term ranging from one year to three years with a target sub-contracting fee ranging from RMB1.1 million to RMB8.0 million. Pursuant to the agreements, individual agreements should be entered into for each work order with reference to the agreed unit price quotations set out in the long-term agreements. The sub-contractors shall also give priority to the work engagements of our Group. As at the Latest Practicable Date, as confirmed by our Directors, the sub-contractors were Independent Third Parties.

In general, we are liable to our clients for our work no matter whether such work are done by our interior designers, the engaged renowned interior designers, sub-consultants or sub-contractors. Since our sub-contractors are engaged to provide consultancy services to us in the projects, we will monitor and review their work from time to time and their work would be subject to our prior evaluation and approval.

During the Track Record Period, our fees paid to the renowned interior designers, our sub-contractors and sub-consultants accounted for 17.6%, 28.0% and 50.9% of our purchases and sub-contracting fees, respectively.

Our major suppliers

FY2015, FY2016 and FY2017, our five largest suppliers accounted for 63.3%, 49.3% and 39.1% of our total purchases and sub-contracting fees, respectively. Our major suppliers were located in the PRC, Hong Kong and Italy. The payments made to our suppliers were in Renminbi, Hong Kong dollar and Euro, respectively, and primarily by way of bank transfers and cheques. Our major suppliers had generally demanded payment in advance during the Track Record Period.

BUSINESS

The following table sets out the profile of our five largest suppliers based on the aggregation of purchases and sub-contracting fees attributable to them during the Track Record Period:

For FY2015

Our suppliers	Year commencing business relationship with us	Background information of supplier	Services/goods provided to us	Aggregate purchases and sub-contracting fees HK\$'000	Percentage of total purchases and sub-contracting fees %
Supplier A	2011	A private company established in the PRC with operation covering Guangzhou which is principally engaged in design and retail of decoration items	FF&A	14,654	38.7
Supplier B	2015	A private company established in the PRC with operation covering the Chinese market which is principally engaged in retail of furniture	FF&A	3,129	8.3
Supplier C	2012	A private company established in the PRC with operation covering Guangzhou which is principally engaged in retail of artwork	FF&A	2,279	6.0
Supplier D	2015	A private company incorporated in Hong Kong with operation covering Hong Kong which is principally engaged in retail of home furniture	FF&A	2,258	6.0
Supplier E	2014	A private company established in the PRC with operation covering Guangzhou which is principally engaged in manufacturing, wholesale and retail of designer furniture	FF&A	1,631	4.3

BUSINESS

For FY2016

Our suppliers	Year commencing business relationship with us	Background information of supplier	Services/goods provided to us	Aggregate purchases and sub-contracting fees <i>HK\$'000</i>	Percentage of total purchases and sub-contracting fees %
Supplier A	2011	A private company established in the PRC with operation covering Guangzhou which is principally engaged in design and retail of decoration items	FF&A	12,635	26.8
Supplier F	2015	A private company incorporated in Hong Kong with operation covering Hong Kong which is principally engaged in retail of furniture	FF&A	4,854	10.3
Supplier B	2015	A private company established in the PRC with operation covering the Chinese market which is principally engaged in retail of furniture	FF&A	2,271	4.8
Supplier G	2015	A private company established in Italy with operation covering Italy which is principally engaged in retail of furniture and related products	FF&A	2,197	4.7
Supplier H	2015	A private company incorporated in Hong Kong with operation covering Hong Kong which is principally engaged in trading and wholesale of lighting products	FF&A	1,272	2.7

BUSINESS

For FY2017

Our suppliers	Year commencing business relationship with us	Background information of supplier	Services/goods provided to us	Aggregate purchases and sub-contracting fees HK\$'000	Percentage of total purchases and sub-contracting fees %
Supplier A	2011	A private company established in the PRC with operation covering Guangzhou which is principally engaged in design and retail of decoration items	FF&A	10,158	13.8
Supplier F	2015	A private company incorporated in Hong Kong with operation covering Hong Kong which is principally engaged in retail of furniture	FF&A	7,316	9.9
Supplier I	2015	A private company established in the PRC with operation covering the Chinese market which is principally engaged in the provision of architecture consultancy services	Architecture consultancy service ^(Note 1)	5,665	7.7
Supplier J	2017	A private company established in the PRC with operation covering the Chinese market which is principally engaged in the provision of three dimensional rendering drawing services	Three-dimensional rendering drawing service ^(Note 2)	3,050	4.1

BUSINESS

Our suppliers	Year commencing business relationship with us	Background information of supplier	Services/goods provided to us	Aggregate purchases and sub-contracting fees HK\$'000	Percentage of total purchases and sub-contracting fees %
Supplier E	2014	A private company established in the PRC with operation covering Guangzhou which is principally engaged in manufacturing, wholesale and retail of designer furniture	FF&A	2,627	3.6

Notes:

1. We outsourced architecture consultancy work which involved overall site planning and design and building design to Supplier I.
2. We outsourced part of our workflow in preparing graphic deliverables based on our designs to Supplier J.

Our Directors confirm that none of our Directors, their close associates or Shareholders who owned more than 5% of the share capital of our Company as at the Latest Practicable Date has any interest in our five largest suppliers.

Selection and evaluation of suppliers

Our suppliers are selected based on, among other things, price and payment terms, quality of their goods or services, responsiveness and reliability. An approved supplier and sub-consultant list is maintained by our Group. The performance of our approved suppliers and sub-consultants are reviewed on an annual basis. Suppliers or sub-consultants that fail to keep up with our quality standards are removed from the list. For new suppliers or sub-consultants, audits and background checks, such as the obtaining of corporate documents, are carried out before their admittance into our approved supplier and sub-consultant list.

General terms of contracts with suppliers

The contract terms are generally set out in sales orders or contracts and generally include (i) type and scope of services or type and model of goods; (ii) contract sum; (iii) payment method; and (iv) delivery and storage arrangement.

BUSINESS

Long-term agreements

As at the Latest Practicable Date, we had entered into cooperation framework agreements with eight household and lifestyle product suppliers (six of which were also engaged as our business consultants), pursuant to which the suppliers had agreed to offer certain discounts in respect of their products and sales-related services to us. We are also entitled to receive referral fee from the suppliers for every transaction in the PRC which were successfully referred by us. Under certain agreements, should the annual sales amount, whether achieved through us or third parties referred by us, reach a certain agreed level, we would be entitled to further bonus. During the Track Record Period and up to the Latest Practicable Date, our referral fee amounted to HK\$65,000. Save as disclosed, we had not entered into any legally binding exclusive long-term agreement with minimum commitment over a specified period of time during the Track Record Period.

INVENTORY

Our inventory primarily consisted of FF&A, which we considered to be commonly applicable in our interior designs and decorations. The balance of our inventories accounted for 0.4%, 0.7% and 0.4% of our total current assets as at 31 December 2015, 2016 and 2017, respectively.

The purchased items are inspected and checked against the placement orders to confirm the model and quantity before acceptance. Data, such as the model, quantity and date of receipt of the item, would then be inputted into our enterprise resource planning system and our inventory data would be updated accordingly. At each month end, the inventory are verified by reconciling the data recorded on the inventory incoming records and delivery notes in our information technology management systems. For details of our inventory policy, see “Financial Information – Description of Selected Items of Consolidated Statements of Financial Position – Inventories”.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, our Group had 153 and 397 full-time employees (excluding our executive Directors and senior management) in Hong Kong and the PRC, respectively. The following table provides a breakdown of our employees by function:

Function	Number of employees
Our executive Directors and senior management	11
<i>Hong Kong</i>	
Interior designers	69
Interior decorators	10
Design management and support	7
Project management and support	17
Communications and marketing	9
Sourcing, procurement and logistic	4
Account servicing	7
Finance and accounting	9
Human resources and administration	13
Information technology	8
<i>The PRC</i>	
Interior designers	272
Interior decorators	57
Project management and support	9
Communications and marketing	13
Sourcing, procurement and logistics	7
Account servicing	5
Finance and accounting	14
Human resources and administration	16
Information technology	4
Total	561

For FY2015, FY2016 and FY2017, our total staff costs including director's remuneration was HK\$138.2 million, HK\$140.8 million and HK\$169.7 million, respectively, representing 55.3%, 44.2% and 39.0% of our total revenue, respectively.

As our founder, senior management and most reputable interior designer who is responsible for brand building, market development, strategic planning and creative design of our key projects, the remuneration paid to Mr. Steve Leung (including basic salaries, allowances and other benefits, discretionary bonus and retirement benefit

BUSINESS

scheme contributions) amounted to HK\$5.6 million, HK\$7.4 million and HK\$10.2 million for FY2015, FY2016 and FY2017, respectively. Our Directors consider that, taking into consideration of (i) Mr. Steve Leung's contributions to our Group as a founder and senior management; (ii) his involvement in the direct execution of projects as an interior designer; and (iii) his experience and well-established reputation in the industry, Mr. Steve Leung's remuneration was commensurate with his experience, reputation and actual involvement in our Group's daily operation. Remuneration package of our senior management (including that of Mr. Steve Leung) is under annual review by our Board after considering the senior management's contribution, seniority in our Group, our Group's overall remuneration adjustment (if any) and the remuneration package of our market competitors. After the Listing, remuneration package of our Directors and senior management shall be reviewed and determined by the remuneration committee.

One of our recruitment channels, other than open recruitment, has been referral. Talented graduates and experienced interior designers and decorators are identified and recruited through referral from scholarship programme and our employees which provide us with relatively reliable information on the candidates' background. The remuneration package of our employees includes basic salary and discretionary bonuses.

We provide on-job training to our employees and such training generally focuses on in-house interior design standards and specifications and market updates and technology. Steve Leung (Shenzhen), Steve Leung (Beijing) and Steve Leung Lifestyle (Shenzhen) have established/joined labour unions for their respective Guangzhou and/or Beijing branch offices which protect the legal rights of their employees and represent their interests in labour matters.

To enhance the stability and the sense of belonging of our selected employees, we adopted "Three-Year Loyalty Incentive Scheme" and "Share-linked Bonus and Share Conversion Scheme" on 26 November 2014. Employees with titles of Associate Director or above were eligible to participate in the "Three-Year Loyalty Incentive Scheme", while employees who participated in the "Three-Year Loyalty Incentive Scheme" with titles of Design Director or above were entitled to participate in the "Share-linked Bonus and Share Conversion Scheme". See "History, Development and Reorganisation – Three-year Loyalty Incentive Scheme, Conversion Scheme and Settlement Plan" for further details.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

BUSINESS

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable labour laws and regulations in the PRC in all material respects. Save for the matters as disclosed in “Compliance” in this section, our Directors also confirm we had complied with the applicable laws and regulations relating to employees in Hong Kong in all material respects.

INFORMATION TECHNOLOGY

We have implemented, among other things, the following information technology systems for our business operations:

- financial control management system which our interior designers and decorators would input their time spent on each project for human resources and cost analysis;
- document and image management systems which serve as our database for all documents, images and information relating to our projects; and
- client relationship management system which records the information of our contracts and clients.

Third party information technology services providers were also engaged during the Track Record Period to provide information technology system support services. For FY2015, FY2016 and FY2017, we incurred HK\$1.1 million, HK\$1.3 million and HK\$3.1 million, respectively, on information technology-related expenses.

As confirmed by our Directors, there had not been any unexpected system or network failure which caused material disruption to our operations during the Track Record Period.

PROPERTIES

During the Track Record Period and up to the Latest Practicable Date, we did not own any property.

BUSINESS

As at the Latest Practicable Date, we had leased and licensed 12 properties in the PRC and four properties and three carpark spaces in Hong Kong from Independent Third Parties (except for the lease of PRC Property M), with the following details of our major leases set out below:

	Location	Lease period and expiry	Total gross floor area (sq.m.)	Purpose
Hong Kong Property A	Kowloon Bay, Hong Kong	From 1 May 2017 to 30 April 2020	1,771.9	• Our headquarters
Hong Kong Property B	Kowloon Bay, Hong Kong	From 1 December 2017 to 30 April 2020	1,121.5 ^(Note 1)	• Hong Kong office
Hong Kong Property C	Kowloon Bay, Hong Kong	From 10 July 2016 to 9 July 2018 ^(Note 2)	86.7	• Godown and ancillary office
Hong Kong Property D	Kowloon Bay, Hong Kong	From 25 May 2018 to 24 May 2019	974	• Workshop
PRC Property E	Shenzhen, the PRC	From 15 May 2017 to 14 May 2019	58.5	• Office of Steve Leung (Shenzhen)
PRC Property F	Guangzhou, the PRC	From 1 July 2017 to 30 June 2020	635.3	• Office of Guangzhou branch office of Steve Leung (Beijing)
PRC Property G	Beijing, the PRC	From 1 July 2017 to 30 June 2018	74.0	• Office of Beijing branch office of Steve Leung Lifestyle (Shenzhen)
PRC Property H	Guangzhou, the PRC	From 19 March 2018 to 18 March 2019	16.0	• Office of Everyday Living (Guangzhou)
PRC Property I ^(Note 3)	Chengdu, the PRC	From 16 October 2017 to 15 October 2018	260.9	• Office of Chengdu branch office of Steve Leung (Shenzhen) • Office of Chengdu branch office of Steve Leung (Beijing)

BUSINESS

	Location	Lease period and expiry	Total gross floor area (sq.m.)	Purpose
PRC Property J	Beijing, the PRC	From 18 September 2016 to 31 December 2018	423.3	• Office of Steve Leung (Beijing)
PRC Property K	Beijing, the PRC	From 5 March 2018 to 4 March 2019	96.1	• Staff quarters
PRC Property L	Beijing, the PRC	From 18 September 2016 to 31 December 2018	60.0	• Office of Beijing branch office of Steve Leung (Shenzhen)
PRC Property M ^(Note 4)	Beijing, the PRC	From 1 October 2017 to 30 September 2020	1,870.0	• Office of Gangyuan Design
PRC Property N	Guangzhou, the PRC	From 7 July 2017 to 4 May 2021	455.7	• Office of Guangzhou branch office of Steve Leung Lifestyle (Shenzhen)
PRC Property O	Beijing, the PRC	From 1 August 2017 to 31 July 2018	45.2	• Office of Beijing branch office of Steve Leung Lifestyle (Shenzhen)
PRC Property P	Shanghai, the PRC	From 20 October 2017 to 19 October 2022	1,605.8	• Office of Shanghai branch office of Steve Leung (Beijing)

Notes:

1. Hong Kong Property B has a lettable area of 1,121.5 sq.m..
2. As at the Latest Practicable Date, we renewed the lease with a term starting from 10 July 2018 to 9 July 2020.
3. As at the Latest Practicable Date, we had leased two separate units under one lease agreement.
4. PRC Property M was leased to us by Gangyuan Decoration, which is a connected person of our Company. For details, see "Connected Transactions".

BUSINESS

For PRC Property F, PRC Property H and PRC Property N, the relevant lessors had not provided us with the building ownership certificates or other documents proving their right to lease to us and, for PRC Property E, PRC Property F, PRC Property G, PRC Property H, PRC Property I, PRC Property J, PRC Property K, PRC Property L, PRC Property M, PRC Property N, PRC Property O and PRC Property P, we had not completed the registration of the relevant lease agreements with the relevant PRC authorities.

According to the Property Law of the PRC (中華人民共和國物權法) and Administration Rules on Tenancy of Commodity Housing (商品房屋租賃管理辦法), if the lessors did not obtain the valid building ownership certificates, we may encounter difficulties in continuing to lease such properties and may be required to relocate. However, our Directors consider the impact on our business and financial condition would be minimal since we do not anticipate any material practical difficulty in identifying premises for our office use, should we be required to vacate these properties. In addition, as advised by our PRC Legal Advisers, based on the relevant judicial interpretation, the non-registration of the lease agreement will not affect the validity of such lease agreements but we may be exposed to penalties or fines imposed by the relevant PRC authorities. According to the Administration Rules on Tenancy of Commodity Housing (商品房屋租賃管理辦法), the parties to the lease agreements may be ordered by the competent authority to make corrections for any non-registration of lease agreements within time limit, otherwise, a fine of less than RMB1,000 (for individuals) or more than RMB1,000 and less than RMB10,000 (for institutions) for delay in making such correction may be imposed. During the Track Record Period and up to the Latest Practicable Date, no penalty or fine had been imposed on us by the relevant housing administrative authorities for the non-registration of the lease agreements.

As at the Latest Practicable Date, save as disclosed herein, the lessors of the remaining PRC properties had provided the relevant building ownership certificates and we had completed the registration of the relevant lease agreements with the relevant PRC authorities. Our PRC Legal Advisers are of the view that these leases are valid and legally binding on each party.

For details of the risk associated with our leased properties, see “Risk Factors – Risks relating to our business – We face certain risks relating to our leased properties.”.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01B of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of

BUSINESS

section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTELLECTUAL PROPERTY

We generally own or jointly own with our clients the design, drawings and diagrams produced in the course of the project.

In order to protect our business name and brand image, our Group has registered our trademarks under various classes in the PRC and Hong Kong. For further details of our material intellectual property rights, see “B. Further Information about our Business – 2. Our material intellectual property rights” in Appendix IV.

AWARDS AND ACCREDITATIONS

The following table sets out the major awards received by us in the past 10 years:

Year	Award	Issuing authority or institution
2018	The number one interior design firm in the residential category	“2018 Top 100 Giants Research” issued by the Interior Design magazine of the United States
	The top second and 21st interior design firms in the Asia and global rankings	“2018 Top 100 Giants Research” issued by the Interior Design magazine of the United States
	Honourable mention (Interior design – Nanjing Mandarin Palace)	International Design Awards
	Honourable mention (Interior design – Steve Leung Prototype Room at Easyhome Top Design Centre, Beijing)	International Design Awards
	Best silver interior design – Project size above 20,000 sq.m. (Finalist – Senior apartment at Banshan Tianyuan, Hangzhou)	6th Asia Pacific Eldercare Innovation Awards 2018
	Certificate of excellence (Building materials, construction components, structures and systems design category in 2017-2018 period with a design on door handle)	The Silver A’ Design Award of A’ Design Award and Competition

BUSINESS

Year	Award	Issuing authority or institution
2017	Asia's Most Influential Designer Award	Designers of the Year Awards (DOTY) 2017
	Top one interior design firm in "Residential Category"	"Top 100 Giants 2017 – Rank of Interior Design Companies in China" issued by the Interior Design China magazine
	Top second interior design firm in overall rankings	
	Top fourth interior design firm in "Retail Category"	
	Top fifth interior design firm in "Hospitality Category"	
	The number one interior design firm in the residential category	"2017 Top 100 Giants Research" issued by the Interior Design magazine of the United States
	The top third and 30th interior design firms in the Asia and global rankings	"2017 Top 100 Giants Research" issued by the Interior Design magazine of the United States
	100 Top Architecture and Design Talents in China	"Architectural Digest China's Architectural Digest 100 Listing" issued by the Architectural Digest magazine
iF design award (Discipline interior architecture – residential category – One Park, Shanghai, the PRC)	iF International Forum Design GmbH	
2016	The number one interior design firm in the residential category	"2016 Top 100 Giants Research" issued by the Interior Design magazine of the United States
	The top third and 30th interior design firms in the Asia and global rankings	"2016 Top 100 Giants Research" issued by the Interior Design magazine of the United States
	iF design award (Interior architecture – residential category – Nanjing Mandarin Palace, Nanjing, the PRC)	iF International Forum Design GmbH

BUSINESS

Year	Award	Issuing authority or institution
2015	100 Top Architecture and Design Talents in China	“Architectural Digest China’s Architectural Digest 100 Listing” issued by the Architectural Digest magazine
	Gold award (Interior design – residential category – One Park, Shanghai, the PRC)	International Design Awards in the United States
	Winner (Bar or restaurant category – Yuan at Atlantis The Palm, Dubai)	FX International Interior Design Awards
2014	Winner (yoo Residence II, Hong Kong)	Interior Design Competition organised by the International Interior Design Association
	Gold award (Inkstone)	Design for Asia Awards organised by the Hong Kong Design Centre
	Top 10 interior design organisations in China	China National Interior Decoration Association
	Interior design of the year (Leisure and entertainment category – Yuan at Atlantis The Palm, Dubai)	Commercial Interior Design Awards in the Middle East
2013	Best of restaurants category (Inakaya, Hong Kong)	The Best of Asia Pacific Design Awards organised by the International Interior Design Association
2011	Gold award/Hong Kong Best (Residential category – One LaSalle, Hong Kong)	HKDA Global Design Awards organised by the Hong Kong Designers Association
2008	Winner (MX Quarry Bay, Hong Kong)	Interior Design Competition organised by the International Interior Design Association
2007	iF design award China (Interior design – Novotel Citigate, Hong Kong)	iF International Forum Design GmbH

BUSINESS

The following table sets out the major accreditations received by us as at the Latest Practicable Date:

Awardee	Accreditation	Scope	Issuing authority	Validity period
SLDL Steve Leung (Beijing) Steve Leung (Shenzhen)	ISO 9001:2008	Provision of interior design and project management services	DW Certification Limited	From 30 May 2016 until 14 September 2018
SLDL Steve Leung (Beijing) Steve Leung (Shenzhen)	ISO 14001:2004	Provision of interior design and project management services	DW Certification Limited	From 30 May 2016 until 14 September 2018

QUALIFICATIONS, LICENCES AND PERMITS

We are required to obtain certain qualifications, licences and permits in order to carry on our business operations in the PRC. See “Regulatory Overview” for further details. The following table sets out certain details of the qualifications, licences and permits that were material to our business operations as at the Latest Practicable Date:

Qualification/ licence/permit	Issuing authority	Recipient	Validity period
Registration of foreign trading operators (對外 貿易經營者備案 登記表證明)	Economy Promotion Bureau of Nanshan District, Shenzhen Municipality (深圳 市南山區經濟促 進局)	Steve Leung Lifestyle (Shenzhen)	N/A
Engineering design qualification certificate (工程 設計資質證書)	Ministry of Housing and Urban-Rural Development of the PRC (中華人 民共和國住房和 城鄉建設部)	Gangyuan Design	From 16 April 2015 to 16 April 2020

BUSINESS

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, save for the abovementioned registrations, our PRC subsidiaries were not required to obtain any other industry-specific qualifications, licences and permits for carrying out our business in the PRC.

Our Directors confirmed, save as disclosed, our Hong Kong subsidiaries were not required to obtain any industry-specific qualifications, licences and permits that are material for carrying out our business in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Our management reviews our business practices regularly to ensure compliance with all licensing requirements and the successful renewal of our qualifications, licences and permits. To the best knowledge and belief of our Directors after making reasonable enquiries, as at the Latest Practicable Date, there was no major legal impediment for the renewal of our qualifications, licences or permits, and no circumstances existed that would render their revocation or cancellations.

OCCUPATIONAL HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION

Our Directors believe that the interior design and decorating services industry in which we operate is not particularly susceptible to occupational hazard and environmental pollution.

We have in place certain work safety measures to ensure compliance with the applicable laws and regulations in the PRC and Hong Kong. For example, all our interior designers who are required to conduct inspection at construction sites in Hong Kong have obtained the Construction Industry Safety Training Certificate which is a certificate proving their enrolment of occupational health and safety training courses have been recognised by the Labour Department of the Hong Kong Government.

In order to promote environmental awareness and ensure compliance with the applicable environmental laws and regulations, we have obtained the ISO14001:2004 certification in May 2016 on environmental management system standard applicable to the provision of interior design and project management services for our operation in the PRC and Hong Kong.

Our Directors are of the view that the annual cost of compliance with the applicable laws and regulations relating to occupational health, work safety and environmental protection was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

BUSINESS

As advised by our PRC Legal Advisers and as confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in the PRC and Hong Kong (where applicable) relating to occupational health, work safety and environmental protection in all material respects and had not been subject to any material claim or penalty in relation thereto. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any major accident or fatality in the course of our business operations.

SOCIAL RESPONSIBILITY

We are committed to nurturing young interior designers. As part of our social responsibility, we had set up Steve Leung Travelling Scholarship in 2008. The scholarship programme aims to nurture young interior designers in Hong Kong and the PRC. Chosen candidates from tertiary institutions in the PRC and Hong Kong are awarded with scholarship for travelling expedition. Optional placement at our Group may also be offered to the candidates.

INSURANCE

We maintain general insurance coverage on, among other things, business interruption, public liability, employees' compensation and medical and travelling. During the Track Record Period, we had also taken out an insurance policy for professional indemnity. In addition, our Group is subject to the social insurance system of the PRC and is required to make contributions for our PRC employees towards five categories of insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

For FY2015, FY2016 and FY2017, our total insurance cost amounted to HK\$9.7 million, HK\$10.2 million and HK\$10.6 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claim. Our Directors believe that our insurance coverage is sufficient and adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

COMPETITION

The PRC and Hong Kong interior design and decorating services industry is highly fragmented and competitive, with the largest market player contributing less than 0.5% of the total market share in terms of revenue in FY2017 in the PRC and Hong Kong. Due to the low barriers to entry and the absence of specific regulations, players in the market engage in various business models offering services ranging from interior design and decorating services, overall consultancy services, and construction work depending on the scales and resources of the players. We mainly compete on our ability to offer creative, quality and comprehensive interior design and decorating services, brand awareness and client network. For details, see “Industry Overview”.

LEGAL PROCEEDINGS

To the best knowledge of our Directors, as at the Latest Practicable Date, none of the members of our Group or our Directors was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group or any of our Directors which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

COMPLIANCE

Save as disclosed below, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with all applicable PRC and Hong Kong laws and regulations for our business activities and operations in all material aspects.

Non-compliance with the Inland Revenue Ordinance

During the Track Record Period, our Group had inadvertently breached the Inland Revenue Ordinance. Details of the historical non-compliance incidents are set out in the table below:

Name(s) of our subsidiary(ies)	Relevant section(s) of the Inland Revenue Ordinance	Non-compliance incident(s)	Reason(s) for the non-compliance incident(s)	Remedial actions	Legal consequence(s) and maximum penalty
SLDL, Steve Leung Lifestyle, Steve Leung Hospitality and Everyday Living	Section 52(4)	Failure to submit the notice (Form IR56E) (notification by an employer of an employee who commences to be employed) for a total of 249 employees with the Inland Revenue Department (the "IRD") during the Track Record Period until November 2016.	Our human resources and administrative staff responsible for employee records were not aware of the relevant laws and regulations.	<p>Upon inquiry with the IRD in January 2017 by calling the general enquiry hotline of the IRD, our Company was informed, <i>inter alia</i>, that the outstanding Forms IR56E were not required to be submitted since the relevant employer's return of remuneration & pensions (Forms IR56B) had been submitted.</p> <p>Nevertheless, we have arranged to file all the Forms IR56E for the 249 employees.</p> <p>All the Forms IR56E for all employees of our Group who commenced employment since November 2016 have been duly filed with the IRD within the prescribed time limit and there has not been any recurrence of similar types of non-compliances.</p>	<p>As advised by our Legal Counsel, under section 80(1)(c) of the Inland Revenue Ordinance, any person who without reasonable excuse fails to comply with the requirements of section 52(4), commits an offence and is liable to a maximum fine of HK\$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do.</p> <p>Having taken into account, among others, (i) there was not any undercharge of the amount of tax to be paid by our Group as Forms IR56B for each financial year had been duly filed with the IRD; (ii) the stance of the IRD during our telephone inquiry, our Legal Counsel advised that the chance of prosecution of such non-compliance incidents was slim and even if there is any prosecution, the maximum penalty will not apply and the likely sentence for such non-compliance incidents upon successful convictions (if any) would be HK\$554,000 in total.</p>

Indemnity from Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu, Ms. Fu and Mr. Steve Leung

Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu have executed the Deed of Indemnity and Mr. Steve Leung and Sino Panda have executed the SL Deed of Indemnity in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) to provide indemnities in respect of fines, payments and any costs and expenses which would be incurred or suffered by our Group in connection with, among other things, the aforesaid non-compliance occurred before the Listing Date. Further details of the Deed of Indemnity and the SL Deed of Indemnity are set out in “F. Other Information – I. Estate duty, tax and other indemnity” in Appendix IV.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system.

To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules) after the Listing, and to avoid recurrence of the past non-compliance incidents disclosed in “Compliance – Non-compliance with the Inland Revenue Ordinance” in this section, we have adopted the following additional internal control measures:

- (1) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

BUSINESS

- (2) Mr. Yip Kwok Hung Kevin, our executive Director and Chief Financial Officer, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Mr. Yip Kwok Hung Kevin will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the qualifications and experience of Mr. Yip Kwok Hung Kevin, see “Directors and Senior Management”;
- (3) we will appoint Dongxing Securities as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the Listing Rules;
- (4) we will provide training and updates on the legal and regulatory requirements applicable to our business operations to our Directors, members of senior management and relevant employees from time to time;
- (5) if necessary, we may consider appointing external PRC legal advisers to advise us on matters relating to compliance with the applicable PRC laws and regulations; and
- (6) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

Furthermore, we have adopted and implemented a foreign exchange policy to mitigate the foreign currency risk. Procedures and record-keeping are established for the settlement and payment involving foreign currencies, while foreign currency risk is monitored by our finance and accounting department manager. Our finance and accounting department manager is required to submit a monthly foreign exchange analysis report and a monthly report on the balance of cash denominated in foreign currencies to our Chief Financial Officer for evaluation and approval. When significant fluctuation in the relevant foreign currency exchange rate is noted, our Chief Financial Officer should also be notified immediately for remedial actions, if necessary.

For details of our foreign currency risk, see “Financial Information”.

VIEWS OF OUR DIRECTORS

Based on the above, our Directors are of the view that the non-compliance incidents disclosed above were due to inadvertent oversight and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations and that such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial conditions and results of operations. Further, in light of the following:

- (i) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance;
- (ii) since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above; and
- (iii) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations,

our Directors are of the view that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and the enhanced internal control measures adopted by our Group are adequate and effective.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board of Directors consists of nine Directors, of which four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. Our business is also managed by the members of our senior management team.

The following tables set forth certain information of our Directors, members of our senior management team with roles in our Company and members of senior management team with role(s) in our subsidiary(ies).

Directors

Name	Age	Present position/title	Time of joining our Group	Date of appointment as a Director	Role and responsibilities	Relationship with other Directors and senior management
Mr. Siu Man Hei (蕭文熙)	62	Executive Director and Chief Executive Officer of our Company	February 2007	21 April 2017	Responsible for the business development, operation and management	None
Mr. Yip Kwok Hung Kevin (葉珪鴻)	40	Executive Director and Chief Financial Officer of our Company	January 2014	9 December 2016	Responsible for overseeing the financing, accounting and internal control, human resource and administrative management, and serving as a member of the risk management committee	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Time of joining our Group	Date of appointment as a Director	Role and responsibilities	Relationship with other Directors and senior management
Mr. Ding Chunya (丁春亞)	35	Executive Director	September 2010 (joined Gangyuan Design in September 2010 which became our subsidiary since September 2016)	21 April 2017	Responsible for overseeing the operation of Gangyuan Design and the business in the PRC	None
Ms. Kau Wai Fun (裘慧芬)	57	Executive Director and Director of Administration of SLDL	November 2005	21 April 2017	Responsible for the management of administration and human resources	Being the company secretary of certain private companies outside our Group of which Mr. Steve Leung, our senior management, is a director
Mr. Xu Xingli (許興利)	47	Non-executive Director and chairman of our Board	February 2014	21 April 2017	Responsible for the overall strategy, investment planning and human resource strategy of our Group and serving as a member of each of the remuneration and nomination committees and the chairman of the nomination committee of our Board	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Time of joining our Group	Date of appointment as a Director	Role and responsibilities	Relationship with other Directors and senior management
Mr. Xie Jianyu (謝健瑜)	39	Non-executive Director	February 2014	21 April 2017	Responsible for the overall strategy, investment planning and human resource strategy of our Group	None
Mr. Tsang Ho Ka Eugene (曾浩嘉)	36	Independent non-executive Director	11 June 2018	11 June 2018	Serving as a member of each of the audit, remuneration and nomination committees and the chairman of each of the audit committee the risk management committee; responsible for advising on corporate governance of our Group	None
Mr. Liu Yi (劉翊)	69	Independent non-executive Director	11 June 2018	11 June 2018	Serving as a member of the audit committee; responsible for advising on corporate governance of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Time of joining our Group	Date of appointment as a Director	Role and responsibilities	Relationship with other Directors and senior management
Mr. Sun Yansheng (孫延生)	54	Independent non-executive Director	11 June 2018	11 June 2018	Serving as a member of each of the audit, remuneration and nomination committees and the chairman of the remuneration committee; responsible for advising on corporate governance of our Group	None

Senior management with roles in our Company

Name	Age	Present position/title	Time of joining our Group	Time of appointment as a member of our senior management team	Role and responsibilities	Relationship with other Directors and senior management
Mr. Siu Man Hei (蕭文熙)	62	Executive Director and Chief Executive Officer of our Company	February 2007	February 2007	Responsible for the business development, operation and management	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Time of joining our Group	Time of appointment as a member of our senior management team	Role and responsibilities	Relationship with other Directors and senior management
Mr. Yip Kwok Hung Kevin (葉珪鴻)	40	Executive Director and Chief Financial Officer of our Company	January 2014	January 2014	Responsible for overseeing the financing, accounting and internal control, human resource and administrative management, and serving as a member of the risk management committee	None
Mr. Cheung Henry (張樂庭)	33	Chief Accountant of finance and accounting department and Company Secretary of our Company and Chief Accountant of SLDL	May 2016	May 2016	Responsible for assisting the Chief Financial Officer in processing and reviewing financial affairs of our Group, and serving as a member of the risk management committee	None

DIRECTORS AND SENIOR MANAGEMENT

Senior management with role(s) in our subsidiary(ies)

Name	Age	Present position/title	Time of joining our Group	Time of appointment as a member of our senior management team	Role and responsibilities	Relationship with other Directors and senior management
Mr. Leung Chi Tien Steve (梁志天)	61	Director of each of SLD Group Holdings, SLDL, SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living	June 1997	June 1997	Responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects	Being the director of certain private companies outside our Group in which Ms. Kau Wai Fun, our executive Director, is a company secretary
Mr. Chong Chiu Fung (莊超峰)	46	Chief Creative Officer of SLDL	November 2003 (left in February 2008 and re-joined in May 2011)	May 2011	Responsible for the design quality control of SLDL and development of the new design style of our Group	None
Mr. Ng Chung Kwan (吳仲君)	43	Director of Projects of SLDL	August 2002	August 2003	Responsible for the management and implementation of our Interior Design Services projects undertaken by our design teams in Hong Kong	None
Mr. Pang Hoi Fung (彭凱峯)	44	Director of Projects of SLDL	June 2006	June 2006	Responsible for the management and implementation of our Interior Design Services projects undertaken by our design teams in the PRC	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position/title	Time of joining our Group	Time of appointment as a member of our senior management team	Role and responsibilities	Relationship with other Directors and senior management
Ms. Chwe Shuk Fong (徐淑芳)	54	Art Director of Steve Leung Lifestyle	January 2001	January 2005	Responsible for the management and implementation of our Interior Decorating & Furnishing Services projects carried out in the PRC, Hong Kong and overseas	None
Ms. Leung Wan Lee (梁韻莉)	30	Senior Finance and Accounting Manager of SLDL	August 2015	August 2015	Responsible for financial and accounting matters	None

DIRECTORS

Executive Directors

Mr. Siu Man Hei (蕭文熙), aged 62, is an executive Director and the Chief Executive Officer of our Company. Mr. Siu joined our Group in February 2007 and is mainly responsible for the business development, operation and management. He is also a director of each of SLDL, Steve Leung Lifestyle, SLAL, Steve Leung & Yoo and Steve Leung (Shenzhen).

Mr. Siu has over 26 years of experience in the architecture and interior design and decorating services and building industries. In July 1991, he established IE, SIU & CHUNG ARCHITECTS LIMITED, a private company in Hong Kong with limited liability which was principally engaged in architecture and design services with other partners. From July 1999 to February 2006, he was the assistant general manager of property division of Emperor Investment (Management) Limited, an investment management company, and was principally responsible for the overall management of the development projects.

Mr. Siu obtained a bachelor of arts degree in architectural studies and a bachelor of architecture degree from the University of Hong Kong, Hong Kong in November 1978 and November 1980, respectively. He became a member of The Hong Kong Institute of Architects in March 1983, a member of the Royal Institute of British Architects in July 1983, and an Authorised Person (List of Architects) registered with the Building Authority in May 2010. He also became a registered architect of the Architects Registration Board in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) in January 1991.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Siu was a director of the below companies which ceased to carry on business and were dissolved by way of deregistration. They were solvent at the time of their dissolution:

Name of company	Place of incorporation/ establishment	Nature of business	Means of dissolution	Date of dissolution
1957 & CO. (SHESHAN) LIMITED	Hong Kong	Real estate investment	Deregistration	10 May 2013
DRAGON CHAMP CORPORATION LIMITED 旺龍有限公司	Hong Kong	Real estate investment	Deregistration	7 June 2013
KENNY SIU & ASSOCIATES LIMITED 蕭文熙建築師有限公司	Hong Kong	Architecture and design	Deregistration	22 December 2000

Mr. Yip Kwok Hung Kevin (葉廷鴻), aged 40, is an executive Director and the Chief Financial Officer of our Company. He is also a member of the risk management committee of our Board. Mr. Yip joined our Group in January 2014 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management. He is also currently a director of each of our subsidiaries.

Prior to joining our Group, Mr. Yip joined Deloitte Touche Tohmatsu as a staff accountant in December 2002 and last served as a senior accountant of the audit department until June 2009, and was responsible for audit matters. From June 2009 to December 2013, he last served as an assistant financial controller of Rykadan Management Services Limited, a subsidiary of Rykadan Capital Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2288) which operates and invests in real estate development, real estate investment and distribution of building materials), and was responsible for financial management and operational affairs.

Mr. Yip obtained a bachelor of science degree from The University of Hong Kong, Hong Kong in November 2000 and a master of commerce degree in funds management from The University of New South Wales, Australia in May 2003.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ding Chunya (丁春亞), aged 35, is an executive Director. He is mainly responsible for overseeing the operation of Gangyuan Design and the business in the PRC. Mr. Ding joined Gangyuan Design in September 2010, which became a subsidiary of our Company since September 2016. From April 2013 to December 2014, he was appointed as the general manager of the Xiamen branch of Gangyuan Decoration, the then sole shareholder of Gangyuan Design and a company principally engaged in the business of decoration engineering, and was responsible for the marketing, manufacture and operation of such branch. Mr. Ding is also the principal of Gangyuan Design.

Mr. Ding obtained a bachelor degree in engineering from the North China University of Technology (北方工業大學), the PRC, in July 2005. He was accredited as a senior interior architect (高級室內建築師) by the China Building Decoration Association (中國建築裝飾協會) in December 2009. He became a deputy officer of the design committee of the China Building Decoration Association (中國建築裝飾協會) in November 2015.

Ms. Kau Wai Fun (婁慧芬), aged 57, is an executive Director and the Director of Administration of SLDL. Ms. Kau joined our Group as Administrative Manager of SLAL in November 2005. She is mainly responsible for the management of administration and human resources.

Prior to joining our Group, Ms. Kau served as a finance and administration manager from August 1997 to February 2005 at PERCY THOMAS PARTNERSHIP (HK) LIMITED, a company incorporated in Hong Kong with limited liability which was principally engaged in architecture planning and design, where she was mainly responsible for office administration, finance and human resources management.

Ms. Kau obtained a diploma in human resource management from The University of Hong Kong School of Professional and Continuing Education, Hong Kong in July 1998 and a master of science degree in training and human resource management from the University of Leicester, United Kingdom in July 2004 through long distance learning. She became an ordinary member and subsequently a professional member of the Hong Kong Institute of Human Resource Management in April 2008 and April 2010, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Xu Xingli (許興利), aged 47, is a non-executive Director and the chairman of our Board. Mr. Xu joined our Group in February 2014 and is mainly responsible for the overall strategy, investment planning and human resource strategy of our Group and serving as a member of each of the remuneration and nomination committees and the chairman of the nomination committee of our Board. He is a director of each of our subsidiaries (other than SLD Group Holdings and Gangyuan Design). He joined Jangho Group in December 2006 and is currently the chief executive officer and the general manager of Jangho Co., one of our Controlling Shareholders and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886), responsible for the overall strategy, investment planning, management and operations of Jangho Group.

Prior to joining our Group, Mr. Xu served as the head of the finance department and the deputy officer of Inspur Group Limited (浪潮集團有限公司) from July 1994 to June 2001, primarily responsible for the financial matters of the branch office and the group companies of Inspur Group Limited. From March 2005 to December 2006, Mr. Xu served as the chief financial officer of Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司), the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600756), and was principally responsible for the financial management. Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司) is principally engaged in the tobacco and electronic governance business.

Mr. Xu obtained a bachelor degree in accounting from the Shanghai University of Finance and Economics (上海財經大學), the PRC in July 1994. He became a non-practising member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2009 and a senior accountant approved by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2013.

Mr. Xu was a director of the below company which ceased to carry on business and was dissolved by way of deregistration. They were solvent at the time of its dissolution:

Name of company	Place of incorporation/ establishment	Nature of business	Means of dissolution	Date of dissolution
GRACE UNITED DEVELOPMENT LIMITED 合欣發展有限公司	Hong Kong	Inactive	Deregistration	24 February 2017

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie Jianyu (謝健瑜), aged 39, is a non-executive Director. Mr. Xie joined our Group in February 2014 and is mainly responsible for the overall strategy, investment planning and human resource strategy of our Group. He also holds directorship in Jangho Group. For Mr. Xie's role in Jangho Group, see "Relationship with Controlling Shareholders and Founder – Independence from our Controlling Shareholders – Management independence".

Since June 2012, Mr. Xie has been a chief financial officer and an executive director of Sundart Holdings, the principal business activities of which include providing professional fitting-out works for residential property and hotel projects in Hong Kong and Macau, and is responsible for overseeing the financing, accounting and internal control, human resources and administrative management of Sundart Holdings and its subsidiaries. Sundart Holdings is a company listed on the Main Board of the Stock Exchange (stock code: 1568).

Prior to joining our Group, from March 2006 to December 2008, Mr. Xie was a cost control manager of the finance department of ATLANTIS Holding Norway AS, the principal business activities of which include the exploration and development of oil and gas, where he was responsible for cost control management. From January 2009 to March 2010, he was a chief accountant of Workz Middle East FZE, the principal business activities of which include telecommunications and logistics, where he was responsible for financial management. From April 2010 to June 2012, he was a financial director of the Middle East & North Africa group of J&H Emirates LLC, the principal business activities of which include curtain wall installation, where he was responsible for financial, human and administrative affairs.

Mr. Xie obtained a bachelor degree in economics from Xiamen University (廈門大學), the PRC in July 2001 and a master degree of business administration from the University of Hong Kong, Hong Kong, in November 2015. Mr. Xie became a certified management accountant of the Institute of Management Accountants and a member of the Association of Chartered Certified Accountants in February 2008 and September 2014, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xie was a director of the below companies which ceased to carry on business and were dissolved by way of deregistration or striking off. They were solvent at the time of their dissolution:

Name of company	Place of incorporation/ establishment	Nature of business	Means of dissolution	Date of dissolution
ELITE TECH HOLDINGS LIMITED 達賢集團有限公司	Hong Kong	Investment holding	Deregistration	30 June 2016
GRACE UNITED DEVELOPMENT LIMITED 合欣發展有限公司	Hong Kong	Inactive	Deregistration	24 February 2017
Sundart Engineering (Far East) Limited 承達工程(遠東)有限公司	Hong Kong	Inactive	Deregistration	3 March 2017
Sundart Emirates	Abu Dhabi	Provision of interior design implementation works in the Middle East	Striking Off	15 September 2015

Mr. Xie was a supervisor of Haikou Century Bump Proof Locks Co., Ltd. (海口世紀防盜鎖有限公司) (“**Haikou Century**”), which was established in the PRC in April 2000. The business licence of Haikou Century was revoked in May 2004 due to the failure to undergo the annual inspection within the specified deadline. It is confirmed by Mr. Xie that there was no outstanding liability against Haikou Century and no liability or obligation was imposed on Mr. Xie at the time of such revocation. As at the Latest Practicable Date, Haikou Century was undergoing the deregistration process.

Independent non-executive Directors

Mr. Tsang Ho Ka Eugene (曾浩嘉), aged 36, is an independent non-executive Director. Mr. Tsang is also a member of each of the audit, remuneration and nomination committees and the chairman of each of the audit committee and the risk management committee of our Board and responsible for advising on corporate governance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsang was an independent non-executive director of Winto Group (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8238) and was principally engaged in the business of outdoor advertising and print media from January 2015 to 2 March 2018. He has also been a founder of Gattaca Company Limited (a company principally engaged in the business of corporate restructuring, financial reengineering, business advisory and consulting) since May 2011, a consultant of GenNex Financial Media Limited (a company principally engaged in the business of the provision of financial printing services for the financial sector in Hong Kong) since January 2012, and the managing director of New Horizon Capital (Group) Limited (a company principally engaged in the business of which include private equity in Hong Kong, the PRC and overseas and the money lending business in Hong Kong) since March 2015. Mr. Tsang was appointed as an Honorary Financial Advisor of the Smart Education Charitable Foundation Limited (the “**Foundation**”) in June 2017, a leading provider of high quality and innovative e-learning solutions which organises and sponsors various charitable events and programmes to the students in Hong Kong, Macau and the PRC. The Foundation is a charitable institution and is exempt from tax under section 88 of the Inland Revenue Ordinance.

In December 2002, Mr. Tsang joined Deloitte Touche Tohmatsu as a staff accountant and last served as a semi-senior accountant of the audit department until February 2006. From September 2006 to March 2007, he was the company secretary and a qualified accountant of Maxitech International Holdings Limited, which was previously listed on the GEM of the Stock Exchange (stock code: 8136) and is currently known as Richfield Group Holdings Limited which is listed on the Main Board of the Stock Exchange (stock code: 183). From April 2007 to February 2015, his last position was non-executive director of MP Logistics International Holdings Limited, currently known as Capital Finance Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8239). From April 2012 to February 2015, his last position was joint company secretary of Newtree Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1323). From May 2013 to July 2014, his last position was non-executive director of China Neng Xiao Technology (Group) Limited, currently known as China Ocean Fishing Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8047). From July 2014 to October 2015, he was an independent non-executive director of Mitsumaru East Kit (Holdings) Limited, currently known as Jiu Rong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2358).

Mr. Tsang completed an accounting extension course in Australian Taxation Law and an accounting extension course in Australian Corporations Law in the Centre for Continuing Education of The University of Sydney, Australia in March 2002 and subsequently obtained a bachelor of commerce degree in accounting and finance from The University of New South Wales, Australia in May 2003. Mr. Tsang became a certified practising accountant and a fellow of CPA Australia in March 2006 and January 2018 and a member and a fellow of the Hong Kong Institute of Certified Public Accountants

DIRECTORS AND SENIOR MANAGEMENT

in July 2006 and July 2014, respectively. He also became an associate member of The Institute of Certified Management Accountants, Australia in February 2007, a member of The Hong Kong Institute of Directors in March 2008, an associate, a certified tax adviser and a fellow of The Taxation Institute of Hong Kong in January 2008, January 2014 and July 2014 respectively, and an international associate of the American Institute of Certified Public Accountants in March 2013.

Mr. Tsang was a director of the below company which ceased to carry on business and was dissolved by way of deregistration. It was solvent at the time of its dissolution:

Name of company	Place of incorporation/ establishment	Nature of business	Means of dissolution	Date of dissolution
FUNNY BUNNY INVESTMENTS COMPANY LIMITED	Hong Kong	Investment holding	Deregistration	23 May 2014

Mr. Liu Yi (劉翊), aged 69, is an independent non-executive Director. Mr. Liu is also a member of the audit committee of our Board and responsible for advising on corporate governance of our Group.

From June 1992 to May 1995, Mr. Liu was an associate chief secretary of the interior decoration industry's management office of the Department of Light Industry of the PRC (中國輕工業部). From June 1995 to December 2012, he had served as secretary general of the second council, vice president and secretary general of the third council and executive vice president of the fourth council of the China Interior Decoration Association (中國室內裝飾協會), which is principally engaged in the management of the interior decoration industry. Since December 2012, he became the president of the fifth council of the China Interior Decoration Association.

Mr. Liu obtained a bachelor degree in commercial economics from the Renmin University of China (中國人民大學), the PRC in December 1983. Mr. Liu became an economist of the ministry of light industry of the PRC in August 1988 and a grade A project manager in the State Light Industry Bureau (國家輕工業局) in April 2000.

Mr. Sun Yansheng (孫延生), aged 54, is an independent non-executive Director. Mr. Sun is also a member of each of the audit, remuneration and nomination committees and the chairman of the remuneration committee of our Board and responsible for advising on corporate governance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun qualified as a PRC Lawyer in June 1994 and founded Beijing Tian Yin Law Firm (北京市天銀律師事務所) in December 2002. From February 2013 to April 2016, he was a member of the planning committee of the China Securities Regulatory Commission, which was principally engaged in the carrying out of forward-looking research on and to propose solutions to capital market-related laws and policies, where he was mainly responsible for advising on regulatory reform as well as carrying out research on capital market supervision, registration reform and information disclosure. Since April 2016, he has been the founding partner of Beijing Duncheng Investment Management Consultation Centre (Limited Partnership) (北京敦誠投資管理諮詢中心(有限合夥)), which is principally engaged in the provision of investment advice on industries and government guidance and the management of industry funds, where he is mainly responsible for participating in the formation of industry funds, guiding the formation of local government industrial funds and serving as a listed company and government financing and strategic adviser.

Mr. Sun obtained a bachelor of law degree from the Inner Mongolia University (內蒙古大學), the PRC in July 1986 and a master of law degree from the Renmin University of China (中國人民大學), the PRC in July 2003. In July 1999, he received a certificate of completion for a postgraduate course in political economics from the Harbin Institute of Technology (哈爾濱工業大學), the PRC.

Mr. Sun was a director of the below company which ceased to carry on business and was dissolved by way of deregistration. It was solvent at the time of its dissolution:

Name of company	Place of incorporation/ establishment	Nature of business	Means of dissolution	Date of dissolution
CHINA ART INDUSTRY (GROUP) CO., LIMITED 中國美術產業(集團)有限公司	Hong Kong	Art industry development business	Deregistration	31 December 2010

Mr. Sun was also a supervisor of Beijing Aidilong Investment Consultant Co., Ltd. (北京艾狄龍投資顧問有限公司) (“**Beijing Aidilong**”) which was established in the PRC. The business licence of Beijing Aidilong was revoked on 19 December 2008 due to the failure to undergo the annual inspection within the specified deadline. It is confirmed by Mr. Sun that there was no outstanding liability against Beijing Aidilong and no liability or obligation was imposed on Mr. Sun at the time of such revocation. As at the Latest Practicable Date, Beijing Aidilong was undergoing the deregistration process.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, none of our Directors held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus, and there was no other information in respect of our Directors to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there was no other matter concerning his directorship with our Company that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT WITH ROLES IN OUR COMPANY

Mr. Siu Man Hei (蕭文熙), Mr. Yip Kwok Hung Kevin (葉珪鴻) and Mr. Cheung Henry (張樂庭) were appointed to senior management positions in our Company.

See “– Directors – Executive Directors” for background of Mr. Siu Man Hei (蕭文熙) and Mr. Yip Kwok Hung Kevin (葉珪鴻).

Mr. Cheung Henry (張樂庭), aged 33, is the Chief Accountant of finance and accounting department and Company Secretary of our Company and Chief Accountant of SLDL. He is also a member of the risk management committee of our Board. Mr. Cheung joined our Group in May 2016 and is mainly responsible for assisting the Chief Financial Officer in processing and reviewing financial affairs of our Group.

Mr. Cheung has over 11 years of experience in the financial and accounting sector. Prior to joining our Group, Mr. Cheung served as an associate, senior and manager of the audit department in Deloitte Touche Tohmatsu from September 2006 to June 2014, and was mainly responsible for the auditing matters. He worked for Geely Automobile Holdings Limited from June 2014 to May 2016 and his last position was internal audit manager. Geely Automobile Holdings Limited is a company listed on the Main Board of the Stock Exchange (stock code: 175) and principally engaged in the business of the production and sale of automobiles, automobile parts and related automobile components.

Mr. Cheung obtained a bachelor of business administration degree from Lingnan University, Hong Kong in November 2006. He became a member of the Hong Kong Institute of Certified Public Accountants in January 2010.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT WITH ROLE(S) IN OUR SUBSIDIARY(IES)

Mr. Leung Chi Tien Steve (梁志天), aged 61, is our founder and a director of each of SLD Group Holdings, SLDL, SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living. Mr. Leung is mainly responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects. Mr. Leung does not hold any directorship or senior management position in our Company. Our PRC Legal Advisers have advised that the above arrangement in relation to the directorship held by Mr. Steve Leung within our Group does not contravene the relevant requirement under Circular 67. For details, see “History, Development and Reorganisation – Approvals and Confirmation from the Shareholders of Jangho Co. and the PRC Authorities”.

Mr. Leung is a leading interior and product designer in Hong Kong with over 30 years of experience in the interior design and decorating services and architecture industries. Mr. Leung is also a renowned architect. Prior to establishing our Group in 1997, Mr. Leung served as an assistant architect of the design department of Wong & Ouyang & Associates from September 1981 to October 1983, and was responsible for office/commercial and residential projects. He worked as a building surveyor of the Building Development Department of Hong Kong from November 1983 to April 1986 and the Buildings and Lands Department of Hong Kong from April 1986 to June 1986. Mr. Leung was a director of ARCHITECTS AND DESIGNERS CO. LIMITED (later known as C D U ARCHITECTS, PLANNERS LIMITED) which was incorporated in April 1987 in Hong Kong (which was struck off and dissolved on 21 January 1994 due to cessation of business), an architectural and urban planning consultancy, from September 1987 to October 1990, responsible for architecture and interior design advisory. He also established LKI DEVELOPMENT LIMITED (later known as LEUNG & CHOW ARCHITECTS PLANNERS LIMITED) in Hong Kong (which was deregistered on 2 December 2005 due to cessation of business) which was incorporated in February 1990, an architectural and urban planning consultancy, where he was a director, responsible for architecture and interior design advisory.

Mr. Leung obtained a bachelor of arts degree in architectural studies, a bachelor of architecture degree and a master of science degree in urban planning from the University of Hong Kong, Hong Kong, in November 1978, November 1981 and November 1986, respectively. He became a member of The Hong Kong Institute of Architects in March 1983, a corporate member of the Royal Institute of British Architects in November 1983, an associate of the Royal Australian Institute of Architects in June 1984, an Authorised Person (List of Architects) registered with the Building Authority in December 1994, and a member of the Hong Kong Institute of Planners in March 1992. He became a registered architect of the Architects Registration Board in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) since January 1991. He is also a fellow member of the Hong Kong Interior Design Association and a member of the Hong

DIRECTORS AND SENIOR MANAGEMENT

Kong Designers Association. In December 2013, Mr. Leung was appointed as an executive officer of the design professional committee of China National Interior Decoration Association (中國室內裝飾協會設計專業委員會). In March 2016, he was informed by the International Federation of Interior Architects/Designers (the “IFI”) that he was elected as the President-elect on the IFI Executive Board from 2015 to 2017 and President from 2017 to 2019 of the International Federation of Interior Architects/Designers. In December 2016, he was appointed as chairman of the board of C Foundation.

Mr. Leung also assumes several social positions including the adjunct professor of The University of Hong Kong School of Professional and Continuing Education and a member of the board of directors of Hong Kong Design Centre. Mr. Leung was also recognised as an honorary fellow of Vocational Training Council in December 2016.

Mr. Chong Chiu Fung (莊超峰), aged 46, is the Chief Creative Officer of SLDL. Mr. Chong first joined our Group in November 2003. In February 2008, Mr. Chong left our Group and re-joined our Group in May 2011 as Design Director of SLDL. He was subsequently promoted to Director of Design and Chief Creative Officer of SLDL in September 2014 and January 2017, respectively. He is mainly responsible for the design quality control of SLDL and development of the new design style of our Group.

In addition to his experience with us, from October 1992 to September 2003, Mr. Chong worked for a number of interior design companies as an interior designer, mainly responsible for providing design concept, presentations, working drawings, site coordination etc. From February 2009 to May 2011, Mr. Chong served as an associate of Ronald Lu and Partners (Hong Kong) Limited, a company principally engaged in interior design works and was mainly responsible for leading the design teams, providing design directions and presentations and the communication with clients throughout duration of the relevant projects.

Mr. Chong obtained a diploma in furniture and spatial design from the Hong Kong Institute of Vocational Education Sha Tin Campus, Hong Kong in August 1992.

For information on the Pre-IPO Share Options that are granted to Mr. Chong, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

Mr. Ng Chung Kwan (吳仲君), aged 43, is the Director of Projects of SLDL. Mr. Ng joined our Group in August 2002. He is mainly responsible for the management and implementation of our Interior Design Services projects undertaken by our design teams in Hong Kong.

Prior to joining our Group, from October 2000 to September 2002, he was an architectural builder’s work and finishes (ABWF) assistant architect at Kumagai Gumi Co., Ltd., a company principally engaged in the business of construction works.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng obtained a bachelor of arts degree in architectural studies and master of architecture degree from The University of Hong Kong, Hong Kong in December 1997 and November 2000, respectively. He became a member of The Hong Kong Institute of Architects in June 2003, a registered architect of the Architects Registration Board in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) in July 2003, and an Authorised Person (List of Architects) registered with the Building Authority under section 3 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) in October 2007.

For information on the Pre-IPO Share Options that are granted to Mr. Ng, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

Mr. Pang Hoi Fung (彭凱峯), aged 44, is the Director of Projects of SLDL. Mr. Pang joined our Group in June 2006. He is mainly responsible for the management and implementation of our Interior Design Services projects undertaken by our design teams in the PRC.

Prior to joining our Group, Mr. Pang was an interior designer at Seedtron Development Consultant Ltd., a company principally engaged in the business of interior design services, and is involved in design projects for hotel chains, developers, rental shops, from May 1995 to June 2006.

Mr. Pang obtained a diploma in interior design from the Hong Kong Institute of Vocational Training Council at the Lee Wai Lee Technical Institute, Hong Kong in September 1993.

For information on the Pre-IPO Share Options that are granted to Mr. Pang, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

Ms. Chwe Shuk Fong (徐淑芳), aged 54, is the Art Director of Steve Leung Lifestyle. Ms. Chwe joined our Group in January 2001. She is mainly responsible for the management and implementation of our Interior Decorating & Furnishing Services projects carried out in the PRC, Hong Kong and overseas.

Prior to joining our Group, from 1993 to 2000, Ms. Chwe was a freelance consultant for JP CONCEPT S.r.l., where she was responsible for the provision of consultancy services relating to product design for the PRC, Hong Kong and Italian markets.

For information on the Pre-IPO Share Options that are granted to Ms. Chwe, see “D. Pre-IPO Share Option Scheme” in Appendix IV.

Ms. Leung Wan Lee (梁韻莉), aged 30, is the Senior Finance and Accounting Manager of SLDL. Ms. Leung joined our Group in August 2015. She is mainly responsible for the financial and accounting matters.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Leung joined Grant Thornton (which later merged with BDO Limited) as an accountant in November 2009, and last served as a senior associate of BDO Limited until August 2013, where she was mainly responsible for auditing matters. In August 2013, Ms. Leung joined Far East Holdings International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 36) and is principally engaged in the business of the manufacture and sale of garment products, property investment and securities investment as an account manager and left in August 2015 as a deputy financial controller and was mainly responsible for supervising financial reporting, corporate finance, taxation and other financial-related matters.

Ms. Leung obtained a bachelor of business administration in professional accounting degree from the Hong Kong University of Science and Technology, Hong Kong in November 2009. Ms. Leung became a member of the Hong Kong Institute of Certified Public Accountants in March 2013.

None of our senior management whose details are set out above held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Cheung Henry (張樂庭), was appointed as the Company Secretary of our Company in April 2017. He is one of the members of our senior management team. See “– Senior Management” for his background and qualifications.

BOARD COMMITTEES

We have established the following committees under the Board: an audit committee, a nomination committee a remuneration committee and a risk management committee. The board committees operate in accordance with the terms of reference established by the Board.

Audit committee

Our Company established an audit committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 11 June 2018 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures of our Group. The audit committee comprises Mr. Tsang Ho Ka Eugene, Mr. Liu Yi and Mr. Sun Yansheng, all being independent non-executive Directors. Mr. Tsang Ho Ka Eugene is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration committee

Our Company established a remuneration committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed on 11 June 2018 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The remuneration committee comprises Mr. Sun Yansheng, Mr. Xu Xingli and Mr. Tsang Ho Ka Eugene. Mr. Sun Yansheng is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee pursuant to a resolution of our Directors passed on 11 June 2018 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary duties of the nomination committee of our Company include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The nomination committee comprises Mr. Xu Xingli, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene. Mr. Xu Xingli is the chairman of the nomination committee.

Risk management committee

Our Company established a risk management committee pursuant to a resolution of our Directors passed on 11 June 2018 with written terms of reference. The primary duties of the risk management committee of our Company include, among others, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. The risk management committee comprises Mr. Tsang Ho Ka Eugene, Mr. Yip Kwok Hung Kevin and Mr. Cheung Henry. Mr. Tsang Ho Ka Eugene is the chairman of the risk management committee.

REMUNERATION POLICY

Our Directors and senior management receive remuneration, including salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration which was paid by our Company to the five highest paid individuals for FY2015, FY2016 and FY2017 were approximately HK\$18.7 million, HK\$20.1 million and HK\$28.7 million, respectively.

The aggregate amount of remuneration which was paid to our Directors for FY2015, FY2016 and FY2017 were approximately HK\$10.1 million, HK\$10.8 million and HK\$14.1 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

After Listing, the remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to their responsibilities, work load, the time devoted to our Group, and the performance of our Group. After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for FY2015, FY2016 and FY2017.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any office in connection with the management of the affairs of any members of our Group.

COMPLIANCE ADVISER

Our Company has appointed Dongxing Securities (Hong Kong) Company Limited as its compliance adviser (the “**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 our Company, among others, at the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date of despatch of the annual report of our Company in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme on 11 June 2018 and the Share Option Scheme on 11 June 2018 under which certain employees may be granted options to subscribe for the Shares. As at the Latest Practicable Date, options to subscribe for an aggregate of 30,483,600 Shares were granted under the Pre-IPO Share Option Scheme and no options have been granted under the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in “D. Pre-IPO Share Option Scheme” and “E. Share Option Scheme” in Appendix IV.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**OVERVIEW**

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), our Company will be beneficially owned as to 52.50% by Eagle Vision.

As at the Latest Practicable Date, Eagle Vision was a company beneficially owned as to approximately 28.57%, 28.57% and 42.86% by Health Capital (a company wholly and beneficially owned by Gangyuan HK, a company wholly and beneficially owned by Gangyuan Decoration, a company beneficially owned as to approximately 68.75% by Jangho Chuangzhan, which was in turn wholly and beneficially owned by Jangho Co.), Gloryeild Enterprises (a company wholly and beneficially owned by Sundart Holdings, a company beneficially owned as to approximately 69.50% by Reach Glory, which was in turn wholly and beneficially owned by Jangho HK) and Peacemark Enterprises (a company wholly and beneficially owned by Jangho HK).

As at the Latest Practicable Date, Jangho HK was wholly and beneficially owned by Jangho Co., a company beneficially owned, among others, as to approximately 25.07% by Mr. Liu and approximately 27.35% by Jiangheyuan, which was in turn beneficially owned as to 85% and 15% by Mr. Liu and his spouse, Ms. Fu, respectively.

On the basis that Health Capital, Gloryeild Enterprises and Peacemark Enterprises restrict their ability to exercise direct control over our Company by holding their interests through Eagle Vision, they are presumed to be a group of our Controlling Shareholders. Therefore, Eagle Vision, Gloryeild Enterprises, Sundart Holdings, Reach Glory, Health Capital, Gangyuan HK, Gangyuan Decoration, Jangho Chuangzhan, Jangho Co., Jiangheyuan, Peacemark Enterprises, Jangho HK, Mr. Liu and Ms. Fu are regarded as a group of our Controlling Shareholders for the purpose of the Listing Rules.

Further, Mr. Steve Leung and Sino Panda will also be regarded as our Controlling Shareholders until immediately prior to the completion of the Capitalisation Issue and the Global Offering in view of their 30% interest in our Shares. In addition to the requirement under Rule 10.07(1)(a) of the Listing Rules, each of Mr. Steve Leung and Sino Panda has voluntarily given further lock-up undertakings to our Company. For details, see “– Deed of Non-Competition and Lock-up Undertaking from Mr. Steve Leung and Sino Panda – Lock-up undertakings” in this section.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

As at the Latest Practicable Date, our Group was principally engaged in the business of the provision of Interior Design Services and Interior Decorating & Furnishing Services in Hong Kong and the PRC. Our Group was also engaged in the architectural business in Hong Kong. See “Business” for further details of our principal business. Jangho Group is currently principally operating the business of (i) the provision of fitting-out services in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and the PRC and the manufacturing, sourcing and distribution of interior decorative materials business; (ii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC; and (iii) the provision of healthcare and medical services in Australia and the PRC (the “**Retained Businesses**”) which will not form part of our Group after Listing.

Given the different nature of our principal business and the Retained Businesses, our Directors are of the view that none of the Retained Businesses would compete, or is expected to compete, directly or indirectly, with our principal business. The Retained Businesses were not injected into our Group and, as at the Latest Practicable Date, our Controlling Shareholders had no intention to inject the Retained Businesses into our Group in the future, as our Directors are of the view that the Retained Businesses neither form part of our principal business nor are in line with our business and growth strategies nor compete with our principal business.

None of our Controlling Shareholders are interested in any business which competes or is likely to compete, whether directly or indirectly, with our principal business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION FROM OUR CONTROLLING SHAREHOLDERS (EXCEPT SUNDART HOLDINGS AND GLORYEILD ENTERPRISES)

To ensure that competition will not exist in the future, each of our Controlling Shareholders (except Sundart Holdings and Gloryeild Enterprises) as covenantors (each a “**Covenantor**”, and collectively, the “**Covenantors**”) executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for our subsidiaries), pursuant to which, each of the Covenantors confirm, inter alia, that other than its/his/her interests in our Company and those disclosed in this prospectus, none of them are engaged in any business which, directly or indirectly, competes or is likely to compete with our business, or have any interest in such business. Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition, including, among others, the following:

Non-competition

Each Covenantor severally and jointly and irrevocably undertakes (for itself/himself/herself and as trustee for and on behalf of its/his/her subsidiaries) that, during the Restricted Period (as defined below), it/he/she will not, and will procure its/his/her close associates (other than any member of our Group) (collectively the “**Controlled Persons**”) not to, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance, directly or indirectly, to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with any business conducted or carried on by any member of our Group as at the date of the Deed of Non-Competition (the “**Restricted Business**”) or otherwise be interested in any Restricted Business in the PRC, Hong Kong or such other places our Group may conduct or carry on such business from time to time (the “**Restricted Area**”).

The “**Restricted Period**” refers to, the period from the Listing Date and ending on the occurrence of the earliest of the date on which (i) in respect of a Covenantor, the Covenantor ceases to be a controlling shareholder of our Company; or (ii) our Shares cease to be listed on the Stock Exchange (other than temporary suspension of trading of our Shares for any reason); or (iii) the Covenantors beneficially own or become interested jointly or severally in all the issued Shares of our Company.

The above non-competition undertaking does not apply to any of the following:

- (a) the holding of shares or other securities in any company which has an involvement in the Restricted Business in the Restricted Area (the “**Relevant Company**”), provided that:
 - (i) the shares or securities of the Relevant Company are listed on a specified stock exchange (as defined under the SFO);
 - (ii) the aggregate interest held by the Covenantors and the Controlled Persons does not exceed 5% of the relevant issued shares of the Relevant Company;
 - (iii) the Covenantors and the Controlled Persons are not entitled to appoint more than one-half of the total number of directors of the Relevant Company; and
 - (iv) none of the Covenantors and the Controlled Persons is a shareholder with the largest shareholding or interest in the Relevant Company; or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

- (b) the holding of shares or other securities issued by any member of our Group or the conduct of the Restricted Business was made on behalf of any member of our Group; or
- (c) the participation in the New Business Opportunity (as defined below) pursuant to the Deed of Non-Competition.

New business opportunity

If, during the Restricted Period, any Covenantor and/or its/his/her Controlled Person is offered or becomes aware of any business opportunity to, directly or indirectly, engage in or own any of the Restricted Business (the “**New Business Opportunity**”):

- (a) it/he/she shall and/or shall procure its/his/her Controlled Persons to promptly notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide such information as may be reasonably required by our Company in order to enable it to make an informed assessment; and
- (b) it/he/she shall not, and shall within its/her/his power procure its/his/her Controlled Persons not to, invest or participate in any New Business Opportunity, unless such New Business Opportunity shall have been rejected by our Company in writing and the principal terms on which the Covenantor or its/his/her Controlled Persons shall invest or participate in such New Business Opportunity are no more favourable than those made available to our Company.

A Covenantor and/or its/his/her Controlled Person may only engage in the New Business Opportunity if (i) a written notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute a Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 10 days after the proposal of the New Business Opportunity is received by our Company.

If there is material change to the nature, terms or conditions of a New Business Opportunity, the Covenantor and/or its/his/her Controlled Person to whom the New Business Opportunity is concerned shall notify our Company of the changed New Business Opportunity in the above-mentioned manner, as if it is another New Business Opportunity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

A Covenantor, being a Director who has an actual or potential material interest in the New Business Opportunity, shall abstain from attending (unless his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity. The remaining non-interested Directors will be responsible for assessing the New Business Opportunity and making the decision as to whether or not to take up any particular New Business Opportunity.

General undertakings

In order to ensure the performance of the above-mentioned non-competition undertakings, each of the Covenantors irrevocably and unconditionally undertakes that it/he/she will:

- (a) upon reasonable request by our Company, provide all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-Competition and the enforcement of the undertakings contained therein by the parties thereto;
- (b) procure our Company to make disclosures in the annual reports or by way of announcements regarding those decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-Competition by each of the Covenantors; and
- (c) make an annual declaration on the compliance of the Deed of Non-Competition in the annual reports of our Company as our independent non-executive Directors see fit, and ensure that the disclosure of information in relation to the compliance with and enforcement of the Deed of Non-Competition is consistent with the requirements under the Listing Rules.

In the event of any disagreement between the parties to the Deed of Non-Competition as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, the matter should be determined by the independent non-executive Directors whose majority decision shall be final and binding.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon the conditions set out in “Structure and Conditions of the Global Offering – Hong Kong Public Offering”.

As advised by our PRC Legal Advisers, it is not necessary for Jangho Co. to obtain shareholders’ approval and/or comply with other applicable requirements for executing the Deed of Non-competition.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following procedures to safeguard the interests of our Shareholders:

- (a) our Company will provide notice to our independent non-executive Directors in respect of the New Business Opportunity referred to us by the Controlling Shareholder and if applicable, the right of first refusal within 10 days from the receipt of such notice;
- (b) if any Controlling Shareholder or Director has a conflict of interest in a matter to be considered, it/he/she shall act in accordance with the requirements of the Articles, Listing Rules and/or the Deed of Non-Competition regarding voting on such matter;
- (c) our independent non-executive Directors will report, and our Company will disclose in our annual reports, the findings, decisions and the basis of any decisions made by our independent non-executive Directors on the compliance by the Controlling Shareholder (except Sundart Holdings and Gloryeild Enterprises) with and implementation of the Deed of Non-Competition; and
- (d) our Directors are of the view that they have sufficient experience in assessing whether or not to take up any New Business Opportunity or exercise the right of first refusal. If our Directors consider that approval of the independent Shareholders in respect of such opportunities is required under the Listing Rules, they may appoint an independent financial adviser or other professionals to advise, at the expense of our Company, on whether or not to take up the New Business Opportunity or exercise the right of first refusal under the Deed of Non-Competition.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered that (i) our Controlling Shareholders (except Sundart Holdings and Gloryeild Enterprises) have given non-competition undertakings in favour of our Company and none of them have interests in other businesses that compete or are likely to compete with the business of our Group; and (ii) save as otherwise disclosed in “Connected Transactions”, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and/or their respective close associates upon or immediately after the Listing, our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Financial independence

Our Directors consider that we do not unduly rely on financial advances from our Controlling Shareholders and related parties for our business operations. We can make financial decisions independently and Jangho Group does not intervene with our use of funds. We have established an independent standardised financial and accounting system and a complete financial management system. In addition, we maintain independent bank accounts. We also have established our own financial department with a team of independent financial staff, who are responsible for the financial control, accounting, financial reporting and credit functions of our Group.

As at 31 December 2017, we had total banking facilities of approximately HK\$144.9 million, of which approximately HK\$8.0 million were utilised. All financial assistance provided by Jangho Group and Mr. Steve Leung to our Group will be released before the Listing.

Taking into account the above factors, our Directors are satisfied that we can conduct our business independently from our Controlling Shareholders from a financial perspective.

Operational independence

Notwithstanding that our Group will have connected transactions with the associates of our Controlling Shareholders after the Listing as disclosed in “Connected Transactions”, our Directors believe that we can operate independently from our Controlling Shareholders from an operational perspective after having considered the following:

- (a) we carry out our business independently, with the independent right to make operational decisions and implement such decisions. In addition, we have independent access to sources of suppliers for the operation of our business, as well as independent access to our customers. During the Track Record Period, more than 95% of our revenue was derived from the provision of services by our Group to its customers who were not customers of Jangho Group, whilst our Group and Jangho Group participated in the projects of the remaining customers;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

- (b) the value of transactions between our Group and our Controlling Shareholders is immaterial. For FY2015, FY2016 and FY2017, only approximately 0.2%, 1.1% and 1.6% of our revenue was derived from its related party transactions with Jangho Group, respectively;
- (c) our Directors are of the view that the transactions between our Group and our Controlling Shareholders during the Track Record Period were entered into in the ordinary and usual course of business of our Group, negotiated on an arm's length basis, on normal commercial terms and fair and reasonable and in the interests of our Shareholders as a whole;
- (d) there has been a clear separation of staff between our Group and Jangho Group; and
- (e) we have established a set of internal control measures to facilitate the effective operation of our business, independent from our Controlling Shareholders.

Management independence

Board and senior management

Our Board comprises four executive Directors, namely Mr. SIU Man Hei, Mr. YIP Kwok Hung Kevin, Mr. DING Chunya and Ms. KAU Wai Fun, two non-executive Directors, namely, Mr. XU Xingli and Mr. XIE Jianyu and three independent non-executive Directors, namely Mr. TSANG Ho Ka Eugene, Mr. LIU Yi and Mr. SUN Yansheng. Among our Directors, Mr. YIP Kwok Hung Kevin, Mr. XU Xingli and Mr. XIE Jianyu will continue to hold directorship or senior management positions in certain members of Jangho Group after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

Set out below is a table summarising the positions held by our Directors and their directorship or senior management positions with Jangho Group as at the Latest Practicable Date:

Name of Directors	Positions held with our Company	Directorship/senior management positions held with Jangho Group as at the Latest Practicable Date
Mr. YIP Kwok Hung Kevin	Executive Director and Chief Financial Officer	A director of Eagle Vision
Mr. XU Xingli	Non-executive Director, Chairman of the Board and a director of each subsidiary of our Company (other than SLD Group Holdings and Gangyuan Design) (all non-executive roles)	A director and general manager of Jangho Co., a director of Jangho HK and Gangyuan Decoration
Mr. XIE Jianyu	Non-executive Director	A director of each of Jangho HK, Peacemark Enterprises Limited (a wholly-owned subsidiary of Jangho HK), Advance Finding Investments Limited (a wholly-owned subsidiary of Peacemark Enterprises Limited), Eagle Vision and Elite Tech (all non-executive roles) and Sundart Holdings

Apart from the above, none of our Directors served as director or senior management in Jangho Group or was expected to hold such positions in Jangho Group as at the Latest Practicable Date.

Each of Mr. XU Xingli and Mr. XIE Jianyu only holds non-executive directorships in our Group and is therefore not involved in the day-to-day management of our Group. Instead, they are primarily responsible for making decisions on strategic matters such as formulation of our general development and strategy and corporate operation strategy as a member of our Board. Although Mr. YIP Kwok Hung Kevin is our executive Director, Eagle Vision is an investment holding company in which he holds a director role.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

In addition, each of our Directors is aware of his/her fiduciary duties as a Director which require, inter alia, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. Where there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. Our Group has also adopted certain corporate governance measures for conflict situation. See “– Corporate governance measures” in this section.

Our Group is also managed by a team of senior management who can carry out our business independently from our Controlling Shareholders. See “Directors and Senior Management” for background of our senior management. As at the Latest Practicable Date, none of our senior management served as director or senior management in Jangho Group or was expected to hold such positions in Jangho Group.

As such, notwithstanding that our Group is expected to share the aforementioned common directors with certain members of Jangho Group, no such common directors will have overlapping executive roles in both groups at the same time. The management structure of our Group is and will be established in a way such that independence of the daily management and operations of our Group from that of our Controlling Shareholders will be ensured.

Committees

We have established a remuneration committee, a nomination committee and an audit committee comprising only non-executive Directors and independent non-executive Directors to monitor our operations.

The audit committee is responsible for reviewing and supervising the financial reporting process and internal control system of our Group. The remuneration committee’s role is to ensure that our Controlling Shareholders do not have any influence on the remuneration provided to our Directors. The nomination committee is responsible for reviewing the structure, size and composition of the Board and assessing the independence of our independent non-executive Directors.

RELATIONSHIP WITH OUR FOUNDER**BACKGROUND**

Mr. Steve Leung is our founder and substantial Shareholder. He is mainly responsible for the brand building, market development and strategic planning of our Group, as well as creative design of our key projects. Mr. Steve Leung is an internationally renowned interior designer and had been elected as one of the 50 Most Influential Persons of the Year in 2017 by INTERNI and one of the 30 Most Influential Designers in 2015 by FORBES China. For further information about Mr. Steve Leung's biography, see "Directors and Senior Management".

DEED OF NON-COMPETITION AND LOCK-UP UNDERTAKING FROM MR. STEVE LEUNG AND SINO PANDA

Mr. Steve Leung is a director of each of SLD Group Holdings, SLDL, SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living. Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), Mr. Steve Leung will (through Sino Panda, a company wholly and beneficially owned by Mr. Steve Leung) be interested in approximately 22.5% of the Shares of our Company.

As at the Latest Practicable Date, Mr. Steve Leung held certain investments in different lines of business in Hong Kong and the PRC such as catering business and real estate business. Mr. Steve Leung confirmed that he is not interested in any business which is, whether directly or indirectly, in competition with our principal business.

Each of Mr. Steve Leung and Sino Panda will be regarded as a controlling shareholder of our Company prior to the Listing in light of their 30.0% shareholding interest in our Company. As such, Mr. Steve Leung and Sino Panda are subject to the lock-up requirement under Rule 10.07(1) of the Listing Rules. However, since the shareholding of Mr. Steve Leung and Sino Panda will decrease to below 30.0% immediately after completion of the Capitalisation Issue and the Global Offering and hence cease to be the controlling shareholders, the lock-up in respect of the second six-month period commencing on the date six months from the Listing Date under Rule 10.07(1)(b) shall not be applicable. Accordingly, each of Mr. Steve Leung and Sino Panda has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including the Over-allotment Option), that he or it will not, and shall procure

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

that any other registered holder(s) (if any) will not in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, 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 which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules).

To demonstrate his commitment to our long-term development, further facilitate our brand-building and ensure that competition will not exist in the near future, each of Mr. Steve Leung and Sino Panda (each a “**SL Covenantor**”, and collectively, the “**SL Covenantors**”) has entered into the SL Deed of Non-Competition and Lock-up Undertaking in favour of our Company (for ourselves and as trustee for and on behalf of other members of our Group).

Non-Competition

Each of the SL Covenantors irrevocably and unconditionally undertakes that, during the SL Restricted Period (as defined below), it/he will not, and will endeavour to procure its/his close associates (other than any member of our Group) (collectively, the “**SL Controlled Persons**”) not to, either on its/his own or in conjunction with any person or other contractual agreement or arrangement, whether directly or indirectly, carry on, participate in, be interested in, hold, engaged or otherwise be involved in, acquire or operate (in each case whether as an investor, a shareholder, director, principal, member of senior management, chief executive, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except any member of our Group) to conduct, any SL Restricted Business (as defined below) in Hong Kong, the PRC or such other places as our Company or any of its subsidiaries conducts or carries on business from time to time.

Each of the SL Covenantors irrevocably and unconditionally undertakes to our Company (for ourselves and as trustee for and on behalf of other members of our Group) that, during the SL Restricted Period, it/he will not, and will endeavour to procure any SL Controlled Person not to, whether directly or indirectly whether for profit or otherwise, use all the company names, trade names, business names, trademarks (including but without limitation to “梁志天” and/or “Steve Leung”) (whether registered or not), patents, logos and other intellectual property rights used and/or owned from time to time by any member of our Group and all or any distinctive part of such company names, trade names, business names, trademarks (whether registered or not), patents, logos and other intellectual property rights, other than for the purpose of conducting the business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

Each of the SL Covenantors further irrevocably and unconditionally undertakes to our Company (for ourselves and as trustee for and on behalf of other members of our Group) that, during the SL Restricted Period, it/he will not, and will endeavour to procure any SL Controlled Person not to, either on its/his own or in conjunction with any person or other contractual agreement, whether directly or indirectly, whether for profit, reward or otherwise:

- (a) solicit any business which falls within the SL Restricted Business from, or attempt to solicit business which falls within the SL Restricted Business from, whether directly or indirectly, any person, firm or company who is a customer or supplier of any member of our Group, or a former customer or supplier of any member of our Group which ceases to be a customer or a supplier of our Group for less than six months; and/or
- (b) solicit, entice, induce for employment or recruit or hire or attempt to solicit or entice or induce for employment or recruit or hire any person who is a director or manager or chief executive or member of senior management of any member of our Group, or a former director or manager or chief executive or member of senior management of any member of our Group whose engagement or employment has been terminated for less than six months whether or not such person would commit any breach of his contract of employment by reason of his leaving the service of any such company.

For the purposes of the above undertakings, an SL Covenantor shall be deemed to have fulfilled its/his procurement obligation therein provided if such SL Covenantor has exercised (where the SL Controlled Person is a company) its/his voting rights in such SL Controlled Person to which it/he is entitled or (where the SL Controlled Person is an individual) the influence it/he has over such SL Controlled Person in a manner consistent with the requirements therein provided.

The “**SL Restricted Period**” refers to the period commencing from the Listing Date and ending on (i) the date which is six years from the Listing Date; or (ii) the date on which Mr. Steve Leung ceases to be a director and/or a member of the senior management of any member of our Group, whichever is later.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

The “**SL Restricted Business**” refers to any business which, directly or indirectly, competes or is likely to compete with the principal business of our Company or any of its subsidiaries in Hong Kong, the PRC or such other places where our Company or any of its subsidiaries conducts or carries on business from time to time, and for the avoidance of doubt, excludes:

- (i) catering business, real estate business (including real estate development and sales) and sanitary ware production business, provided that such businesses do not involve the provision (other than through our Group) of interior design services, interior decoration services and/or product design and consultancy services of household and interior design and decorative products carries on, participates in, holds or operates by any member of our Group;
- (ii) New Business (as defined below); and
- (iii) the indirect holding of the equity interests in 深圳市傑恩創意設計股份有限公司 (Jiang & Associates Creative Design Co. Ltd.) (“**J&A**”), a company listed on the Shenzhen Stock Exchange (stock code: 300668), by Mr. Steve Leung through 深圳市十兄弟合伙企業(有限合伙) as at the date of the SL Deed of Non-Competition and Lock-up Undertaking. As at the date of the SL Deed of Non-Competition and Lock-up Undertaking, Mr. Steve Leung contributed to 10% of the registered capital of 深圳市十兄弟合伙企業(有限合伙) which in turn holds 2.47% of the equity interests in J&A. For the avoidance of doubt, (a) Mr. Steve Leung, whether directly or indirectly, has not carried on or participated in and will not carry on or participate in the business, operations and management of J&A, nor has he taken up or will he take up any position in J&A; and (b) the interests described in this sub-paragraph (iii) are the only interests and benefits Mr. Steve Leung has in J&A.

The “**New Business**” refers to:

- (i) any new business which Mr. Steve Leung or Sino Panda carries on, participates in, holds or operates, or anticipates to carry on, participate in, hold or operate, and such new business is not then carried on, participated in, held or operated by any member of our Group, or anticipated by our Group to carry on, participate in, hold or operate; and/or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

- (ii) any such other business as may be agreed by the parties hereto in writing;

For the purpose of this paragraph, “anticipate to carry on, participate in, hold or operate” means:

- (a) in relation to any member of our Group, any member of our Group discussed and negotiated with any third party in respect of a new business and such discussion and negotiation have reached an advanced stage which includes the signing of any form of letter of intent/memorandum of understanding; or
- (b) in relation to Mr. Steve Leung and Sino Panda, Mr. Steve Leung (in his personal capacity), Sino Panda or its subsidiaries, or any other company in which Mr. Steve Leung holds, directly or indirectly, more than 50% of its issued shares discussed and negotiated with any third party in respect of a new business and such discussion and negotiation have reached an advanced stage which includes the signing of any form of letter of intent/memorandum of understanding.

General Undertakings

In order to ensure the performance of the above-mentioned non-competition undertakings, each of the SL Covenantors unconditionally and irrevocably undertakes to and for the benefit of our Company (for ourselves and as trustee for the benefit of other members of our Group) that during the SL Restricted Period, each of them will:

- (a) upon reasonable request by our Company with reasonable written notice, provide all information which is in the possession of the SL Covenantor and is necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the SL Deed of Non-Competition and Lock-up Undertaking and the enforcement of the undertakings contained therein by each of them;
- (b) upon reasonable request by our Company with reasonable written notice, make an annual confirmation on compliance with such undertakings for disclosure in the annual reports of our Company and each of the SL Covenantors thereby gives its/his general consent to such disclosure; and
- (c) abstain from voting at, and not be counted as quorum of, any meetings of the Shareholders and/or the Board for consideration and approval of any matters referred to in the SL Deed of Non-Competition and Lock-up Undertaking which have or may give rise to conflicts of interest, actual or potential.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

The above non-competition undertakings do not apply to any of the following:

- (a) the holding of shares or other securities issued by any member of our Group from time to time;
- (b) the holding of shares or other securities in any company which has an involvement in the SL Restricted Business (the “**Relevant Company**”), provided that:
 - (i) such shares or securities are listed on a specified stock exchange (as defined under the SFO);
 - (ii) the aggregate interest of the SL Covenantors and the SL Controlled Persons (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the Relevant Company;
 - (iii) the SL Covenantors and the SL Controlled Persons are not entitled to appoint more than one-half of the total number of directors of the Relevant Company; and
 - (iv) none of the SL Covenantors and the SL Controlled Persons is the shareholder with the largest shareholding or interest in the Relevant Company; or
- (c) the involvement, participation or engagement of any SL Covenantor and/or any SL Controlled Person in a Restricted Business in relation to which our Company has expressly agreed in writing prior to such involvement, participation or engagement, following a decision by the independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions the independent non-executive Directors may require to be imposed.

Lock-up Undertakings

Each of the SL Covenantors further irrevocably and unconditionally undertakes to our Company that, it/he will not, and (in the case of Mr. Steve Leung) will procure Sino Panda not to, without our Company's prior written consent:

- (a) at any time during the period commencing on the Listing Date and ending on the date which is the third anniversary of the Listing Date (the **"First Three-year Period"**):
 - (i) offer, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, grant or agree to grant any option, right or warrant to purchase, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any equity securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein hold by any of the SL Covenantors immediately after the completion of the Global Offering and Capitalisation Issue (the **"Lock-up Securities"**)); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Securities; or
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities of our Company, in cash or otherwise, provided that the foregoing restrictions shall not apply to (i) any pledge or charge of any Lock-up Securities by Sino Panda as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan; or (ii) any placing of Lock-up Securities in a “top-up” placing by Sino Panda where the number of new Shares subscribed by it pursuant to an irrevocable, binding obligation equals the number of Lock-up Securities placed out and the subscription price is no less than the price at which the Lock-up Securities were placed out (as adjusted for the expenses of the placing); and

- (b) at any time during the period commencing on the date of the expiry of the First Three-year Period and ending on the date which is the tenth anniversary of the Listing Date, enter into any of the foregoing transactions in paragraph (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will be interested in less than one-third of the total number of the Lock-up Securities.

RIGHT OF FIRST REFUSAL AND TAG ALONG ARRANGEMENTS

On 11 June 2018, Eagle Vision, Sino Panda and Mr. Steve Leung entered into a right of first refusal and tag along agreement which will be effective from the Listing Date to regulate the sale of Shares amongst themselves upon the Listing (the “**Right of First Refusal and Tag Along Agreement**”). Our Company is not party to the Right of First Refusal and Tag Along Agreement.

The Right of First Refusal and Tag Along Agreement provides that:

1. If Sino Panda proposes to make a transfer of any Shares held by it as at the Listing Date (the “**Sino Panda Shares**”) after the date of expiry of the First Three-year Period, Sino Panda shall (and Mr. Steve Leung shall procure Sino Panda to) give Eagle Vision a written notice of its intention to transfer the Sino Panda Shares and provide certain details of the proposed transfer in accordance with the Right of First Refusal and Tag Along Agreement (the “**Sino Panda Transfer Notice**”). Eagle Vision shall have the right of first refusal to purchase all of the Sino Panda Shares at the same price and subject to the same material terms and conditions as described in the Sino Panda

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

Transfer Notice. If Eagle Vision elected not to purchase the Sino Panda Shares, Sino Panda can sell the Sino Panda Shares to any third party on the same terms and conditions as set forth in the Sino Panda Transfer Notice, provided that such third party shall not carry on or conduct any business which is in competition with the principal business which our Group conducts, participates in, holds or operates from time to time.

2. If Eagle Vision receives an offer or proposes to make an offer to any third party to sell or transfer any Shares held by it as at the Listing Date (the “**Eagle Vision Shares**”) after the date of expiry of the First Three-year Period, Eagle Vision shall give Sino Panda a written notice of its intention and provide certain details of the proposed sale or transfer in accordance with the Right of First Refusal and Tag Along Agreement (the “**Eagle Vision Transfer Notice**”). Sino Panda shall have a tag along right to sell the Shares Sino Panda held on the same terms and conditions as set forth in the Eagle Vision Transfer Notice. If Sino Panda elects not to exercise its tag along right, Eagle Vision can only sell or transfer the Eagle Vision Shares to the third party on the same terms and conditions as set forth in the Eagle Vision Transfer Notice.

The above right of first refusal and the tag along right shall not be applicable to certain types of transfer of Shares by Sino Panda or Eagle Vision, including (but not limited to) (i) any transfer by Eagle Vision to any member of Jangho Group; (ii) any transfer by Sino Panda to any of its direct or indirect subsidiary whose voting rights are 100% owned by it, any company or individual owning, directly or indirectly, 100% of its voting rights (including Mr. Steve Leung), or any subsidiary whose voting rights are 100% owned by such company or individual directly or indirectly; and (iii) any placing out its Shares in a “top-up” placing where the number of new Shares subscribed by it pursuant to an irrevocable, binding obligation equals the number of existing Shares placed out and the subscription price (after expenses) is the same as the price at which the existing Shares were placed out.

The Right of First Refusal and Tag Along Agreement will terminate in certain circumstances, including (but not limited to) any of Eagle Vision or Sino Panda ceases to hold any Shares which each of them held as at the Listing Date or when our Shares cease to be listed on the Main Board (other than any temporary suspension of trading of our Shares due to other reasons).

UNDERTAKINGS

Each of our Company and our Controlling Shareholders have given certain undertakings in respect of the Shares (including those as required by Rules 10.07 and 10.08 of the Listing Rules, as applicable) to our Company, the Stock Exchange, the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), as applicable.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND FOUNDER

In addition, each of our Controlling Shareholders further irrevocably and unconditionally undertakes to our Company that, it/he/she will not, and will procure that its/his/her close associate(s), the relevant registered holder(s) and any nominee or trustee holding in trust for it/him will not, without our Company's prior written consent and at any time during the First Three-year Period: (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein; or (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in (i), (ii) or (iii) above, whether any of the foregoing transactions described in (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so. Such undertaking is voluntary in nature.

See "Underwriting – Underwriting Arrangements and Expenses" for details of the above undertakings.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons. Upon the Listing, such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. The following is a summary of these transactions:

Transactions	Connected persons	Applicable Listing Rules	Waiver sought	Proposed annual caps for the financial year ending		
				31 December		
				2018	2019	2020
Fully-exempt continuing connected transactions						
(1) Art Union Lease Agreement	Art Union	14A.76(1)(a)	N/A	HK\$1	HK\$1	HK\$1
(2) Lease Agreement	Gangyuan Decoration	14A.76(1)(a)	N/A	RMB1,604,631	RMB1,604,631	RMB1,203,473.25
(3) Trademark Licence Agreement	Gangyuan Decoration	14A.76(1)(a)	N/A	Nil	Nil	Nil
(4) Deed of Guarantee executed under the Licence Agreement	Mr. Steve Leung	14A.90	N/A	Nil	Nil	Nil
Non-fully exempt continuing connected transaction						
(1) Gangyuan Design Service Agreement	Gangyuan Decoration	14A.76(2)(a)	Waiver from the announcement requirement under the Listing Rules	RMB7,000,000	RMB7,000,000	RMB7,000,000

I. Connected persons

(1) Art Union

As at the Latest Practicable Date, Art Union was wholly and beneficially owned by Mr. Steve Leung, one of the substantial shareholders of our Company. Art Union constitutes an associate of Mr. Steve Leung and is therefore a connected person of our Company under the Listing Rules.

(2) Gangyuan Decoration

As at the Latest Practicable Date, Gangyuan Decoration was a substantial shareholder of Gangyuan Design and a non-wholly owned subsidiary of Jangho Co., one of our Controlling Shareholders. Gangyuan Decoration constitutes a substantial shareholder of our subsidiary and an associate of Jangho Co. under the Listing Rules and is therefore a connected person of our Company under the Listing Rules.

CONNECTED TRANSACTIONS

(3) Mr. Steve Leung

As at the Latest Practicable Date, Mr. Steve Leung was one of the substantial shareholders of our Company and is therefore a connected person of our Company under the Listing Rules.

2. Fully-exempt continuing connected transactions

(1) Art Union Lease Agreement

On 15 June 2018, SLDL entered into the Art Union Lease Agreement with Art Union, pursuant to which Art Union agreed to lease certain artwork and artefacts to SLDL and SLDL agreed to lease such artwork and artefacts from Art Union as decorative accessories for our premises and for a term commencing from the date of the Art Union Lease Agreement to 31 December 2020, at a nominal value of HK\$1 per annum. Such artwork and artefacts include paintings, vases, sculptures etc. with inherent aesthetic qualities for decorative and display purposes. SLDL will also be responsible for taking out insurance for such artwork and artefacts during the term of such lease.

Previous transaction and reasons for and benefits of entering into the Art Union Lease Agreement

Prior to entering into the Art Union Lease Agreement, we had been leasing the relevant artwork and artefacts from Art Union as decorative accessories for our office premises since February 2014 at nil consideration. As such, to maintain our corporate image and to be in line with previous arrangement in respect of the lease of the relevant artwork and artefacts, we will continue to use such artwork and artefacts after the Listing.

Our Directors (including our independent non-executive Directors) are of the view that the Art Union Lease Agreement has been entered into on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Art Union Lease Agreement is expected to be less than 0.1% on an annual basis and such transaction is conducted on normal commercial terms or better, the transaction under the Art Union Lease Agreement constitutes a *de minimis* transaction under Chapter 14A of the Listing Rules. As a result, this transaction will constitute a fully-exempt continuing connected transaction and thus will be fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(2) Lease Agreement

On 31 October 2017, Gangyuan Design (as tenant) entered into the Lease Agreement with Gangyuan Decoration (as landlord), pursuant to which Gangyuan Design agreed to lease from Gangyuan Decoration the premises situated at 15th floor, Beijing Link, courtyard number 6, Jingshundang Road, Chaoyang District, Beijing, PRC with a gross floor area of approximately 1,870 sq.m. (the “**Leased Property**”) for a term commencing from 1 October 2017 to 30 September 2020 at a rent of RMB1,604,631 per annum, which was agreed after arm’s length negotiations between the parties with regard to the prevailing market rates. Such Leased Property was used by Gangyuan Design as its office.

Basis for determining the rental

The rental for the Leased Property was determined after arm’s length negotiations between Gangyuan Design and Gangyuan Decoration with reference to the prevailing market rates of comparable properties in the same area. Asset Appraisal Limited, a qualified and independent valuer, has confirmed that such rental represented the market rates as at 31 October 2017 under normal commercial terms and repairing clauses, in view of the prevailing market conditions and the rental level of similar properties at the vicinity. For the qualification of Asset Appraisal Limited, see “F. Other Information – 5. Qualifications of experts” in Appendix IV.

Reasons for and benefits of entering into the Lease Agreement

Our Directors (including the independent non-executive Directors) are of the view that the location and area of the Leased Property are appropriate and suitable for Gangyuan Design to use as its office and the entering into the Lease Agreement can ensure the continuous availability of the Leased Property to satisfy our future needs.

Our Directors (including the independent non-executive Directors), are of the view that the Lease Agreement is (i) negotiated on an arm’s length basis and on normal commercial terms or better; and (ii) fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

Listing Rules implications

As (i) each of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Lease Agreement is, on an annual basis, less than 5%; (ii) the rental during the term of the Lease Agreement will be less than HK\$3,000,000; and (iii) the transaction under the Lease Agreement is and will be conducted on normal commercial terms or better, the transaction under the Lease Agreement constitutes a *de minimis* transaction under Chapter 14A of the Listing Rules. As a result, such transaction will constitute a fully-exempt continuing connected transaction and thus will be fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

(3) Trademark Licence Agreement

On 13 June 2018, Gangyuan Design entered into the Trademark Licence Agreement with Gangyuan Decoration, pursuant to which Gangyuan Decoration agreed to grant a non-exclusive licence to Gangyuan Design for the use of the “” mark owned by Gangyuan Decoration registered in the PRC under classes 37 and 42 (the “**Licensed Trademark**”) on a royalty-free basis for a period of 10 years since the date of the Trademark Licence Agreement. For details of the Licensed Trademark, see “B. Further Information about our Business – 2. Our material intellectual property rights – (a) Trademark” in Appendix IV.

Previous transaction and reasons for and benefits of entering into the Trademark Licence Agreement

Gangyuan Design has been using the Licensed Trademark since 2009. As such, in order to maintain the consistency of Gangyuan Design's market image and continue to use the Licensed Trademark for further development of its corporate culture, Gangyuan Design will continue to use the Licensed Trademark after the completion of the Global Offering. As such, our Directors (including our independent non-executive Directors) are of the view that the Licensed Trademark has been granted to Gangyuan Design on normal commercial terms or better and its terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Furthermore, our Directors (including our independent non-executive Directors) are of the view, and the Sole Sponsor concurs, that having a term for a period longer than three years will allow a greater degree of stability and continuity to Gangyuan Design's business going forward, in particular when no fee is payable by our Group to Gangyuan Decoration under the Trademark Licence Agreement, and is normal business practice for licence agreement of this type.

CONNECTED TRANSACTIONS

Listing Rules implications

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Trademark Licence Agreement is expected to be less than 0.1% on an annual basis and such transaction is and will be conducted on normal commercial terms or better, the transaction under the Trademark Licence Agreement constitutes a *de minimis* transaction under Chapter 14A of the Listing Rules. As a result, such transaction will constitute a fully-exempt continuing connected transaction and thus will be fully-exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

(4) Licence Agreement

On 26 April 2013, Steve Leung & Yoo entered into the Licence Agreement with a UK-based residential and hotel design company (the "**UK Company**"). Pursuant to the Licence Agreement, it was agreed that, among others, (i) the UK Company shall endeavour to identify real estate development projects suitable for our and/or Mr. Steve Leung's provision of Interior Design Services (the "**Projects**"); and (ii) we shall grant to the UK Company the right to use the name of "Steve Leung" for all bona fide purposes in connection with the promotion and marketing of the UK Company's association for the Projects and the right to sub-licence the use of such name to any party pursuant to any agreement in respect of the Projects under which we are to provide Interior Design Services at a royalty fee calculated with reference to the gross revenue.

"Gross revenue" mentioned above shall mean the actual amount of net income attributable to the Projects received by the UK Company from its employers.

Deed of guarantee given by Mr. Steve Leung

In order to accomplish the arrangements under the Licence Agreement, Mr. Steve Leung entered into the Deed of Guarantee, pursuant to which Mr. Steve Leung guaranteed, among others, (i) the performance of our Group; and (ii) that he shall work with our Group to deliver the services to the UK Company under the terms of the Licence Agreement.

CONNECTED TRANSACTIONS

Listing Rules implications

Our Directors (including the independent non-executive Directors), after reviewing the Deed, are of the view that the guarantee provided by Mr. Steve Leung is for the benefit of our Group, and is on normal commercial terms or better where no security over the assets of our Group is granted, therefore, the transaction will be fully exempt from the Shareholders' approval, the annual review and all disclosure requirements under Chapter 14A of the Listing Rules on the basis that it falls within the fully-exempt financial assistance received by our Group under Rule 14A.90 of the Listing Rules.

3. Non-fully exempt continuing connected transaction

(1) Gangyuan Design Service Agreement

On 13 June 2018, Gangyuan Design entered into the Gangyuan Design Service Agreement with Gangyuan Decoration, pursuant to which Gangyuan Decoration agrees to subcontract to Gangyuan Design the Interior Design Services for the projects undertaken by Gangyuan Decoration (the "**Gangyuan Design Services**") during the term commencing from the date thereof and expiring on 31 December 2020.

Principal terms

<i>Parties</i>	:	(1) Gangyuan Decoration as main contractor; and (2) Gangyuan Design as subcontractor
<i>Duration</i>	:	From the date of the Gangyuan Design Service Agreement to 31 December 2020
<i>Nature of transaction</i>	:	Gangyuan Decoration agrees to subcontract to Gangyuan Design the Interior Design Services for the projects undertaken by Gangyuan Decoration. Each of the Gangyuan Design Services so provided shall be effected and governed by the individual subcontracting contracts to be entered into between Gangyuan Design and Gangyuan Decoration in accordance with the terms of the Gangyuan Design Service Agreement. If there is any conflict between the terms of a subcontracting contract and the Gangyuan Design Service Agreement, the latter shall prevail.

CONNECTED TRANSACTIONS

- Pricing basis* : Our subcontracting fees for the Gangyuan Design Services shall be agreed by Gangyuan Decoration and Gangyuan Design under the individual subcontracting contracts and determined in accordance with:
- (i) the pricing standard prescribed by the state price administration department (國家物價管理部門) or regional price administration department (地方物價管理部門) (the “**Prescribed Price**”);
 - (ii) if there is no Prescribed Price available, the price should be determined on an arm’s length basis between Gangyuan Design and Gangyuan Decoration and be on terms similar to, or more favourable (in terms of the interests of our Group) than those agreed between Gangyuan Design and its Independent Third Party customers with reference to:
 - (a) comparative market prices (if available); and
 - (b) costs incurred or to be incurred in relation to the relevant Gangyuan Design Services and subject to a reasonable profit margin requirement.
- Payment terms* : Unless otherwise agreed, the Gangyuan Design Services shall be paid by Gangyuan Decoration to Gangyuan Design in the following manner:
1. 20% of the service fees shall be paid on the date of signing of the relevant subcontracting contract;
 2. 40% of the service fees shall be paid within seven Business Days after Gangyuan Decoration confirming the detail design submitted by Gangyuan Design;
 3. 30% of the service fees shall be paid within seven Business Days after Gangyuan Decoration confirming the project documentation submitted by Gangyuan Design; and
 4. the remaining 10% of the service fees shall be paid within seven Business Days after the inspection and acceptance of the work by Gangyuan Decoration.

CONNECTED TRANSACTIONS

Right of first refusal : If Gangyuan Decoration intends to subcontract any Interior Design Services to any third party (other than any member of our Group) (the “**Subcontracting Services**”), Gangyuan Decoration shall give a written notice to Gangyuan Design (the “**Subcontracting Notice**”) at least 10 Business Days before entering into any agreement with such third party, setting out (i) the scope of the Subcontracting Services; and (ii) the fees of the Subcontracting Services. Within three Business Days upon receiving the Subcontracting Notice, Gangyuan Design shall at any time give a written notice to Gangyuan Decoration to exercise a right of first refusal to undertake the Subcontracting Services in accordance with the scope and fees as set out in the Subcontracting Notice. If Gangyuan Design waives such right of first refusal by way of written notice or did not exercise such right of first refusal by written notice within three Business Days upon receiving the Subcontracting Notice, Gangyuan Decoration may subcontract the Subcontracting Services to the third party under the scope and fees no more favourable than those as set out in the Subcontracting Notice.

Internal control measures in relation to the Gangyuan Design Service Agreement

In order to ensure that the Gangyuan Design Services are provided under the terms similar to, or more favourable (in terms of the interests of our Group) than those agreed between Gangyuan Design and its Independent Third Party customers when there is no Prescribed Price, our Company has adopted the following measures:

1. in general, the gross profit margin of the Gangyuan Design Services is expected to range from 40% to 60%, which is arrived at after considering, *inter alia*, the prevailing market conditions and the gross profit margin of similar transactions conducted between Gangyuan Design and Independent Third Parties;
2. the relevant finance personnel of our Group will conduct regular checks to review and assess whether the Gangyuan Design Services are conducted in accordance with the terms of the Gangyuan Design Service Agreement to ensure that the fees we charged for a specific Gangyuan Design Service is fair and reasonable under the then prevailing market conditions and in accordance with the aforesaid pricing policy; and

CONNECTED TRANSACTIONS

3. our Company's external auditor and our independent non-executive Directors will conduct an annual review of the performance of the continuing connected transactions of our Company, including the Gangyuan Design Services.

Previous transactions and historical transaction amounts

Prior to entering into the Gangyuan Design Service Agreement, Gangyuan Design had been providing interior design service similar to Gangyuan Design Services to Gangyuan Decoration since our acquisition of 80% interest in Gangyuan Design in September 2016 (the "**Previous Gangyuan Design Services**"). The Previous Gangyuan Design Services had been conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

For FY2016 and FY2017, the aggregated transaction amounts of the interior design service provided by Gangyuan Design to Gangyuan Decoration were approximately RMB3.0 million and RMB6.0 million, respectively.

Annual caps for the Gangyuan Design Service Agreement

The maximum annual transaction amounts for the Gangyuan Design Services for the three years ending 31 December 2020 are RMB7,000,000, RMB7,000,000 and RMB7,000,000, respectively.

The annual caps for the Gangyuan Design Service Agreement were determined based on (i) the historical transaction amount of the Previous Gangyuan Design Services subcontracted to Gangyuan Design by Gangyuan Decoration; and (ii) the expected business growth of our Interior Design Services having regard to the market demand in the PRC.

Reasons for and benefits of entering into the Gangyuan Design Service Agreement

Gangyuan Decoration is principally engaged in the provision of contracting of fitting-out works in the PRC. By providing the Gangyuan Design Services, Gangyuan Design could establish, maintain and develop a long-term relationship with Gangyuan Decoration and thereby procure a stable source of revenue for our Group. The continuous use of the Gangyuan Design Services by Gangyuan Decoration could assist in building our reputation in the PRC, which could in turn increase the market recognition of the Interior Design Services in the PRC.

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors), are of the view that the Gangyuan Design Service Agreement and the proposed annual caps for the Gangyuan Design Service Agreement are (i) negotiated on an arm's length basis and on normal commercial terms or better; and (ii) fair and reasonable and in the best interests of the Company and our Shareholders as a whole.

Listing Rules implications

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions under the Gangyuan Design Service Agreement is more than 0.1% but less than 5% and such transactions are and will be conducted on normal commercial terms, the transactions under the Gangyuan Design Service Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for Waiver

As the Gangyuan Design Service Agreement will continue after the Listing on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the Gangyuan Design Service Agreement once our Shares are listed on the Stock Exchange, subject to the aggregate amount of the subcontracting fees payable under the Gangyuan Design Service Agreement for each financial year not exceeding the relevant annual caps as stated above.

DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) are of the view that the Gangyuan Design Service Agreement has been entered into in the ordinary and usual course of business of our Group and is based on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for the Gangyuan Design Service Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

OPINION OF THE SOLE SPONSOR

Based on the documents and information provided by our Company, the discussions with our Company and the Sole Sponsor's participation in the due diligence in respect of the Gangyuan Design Service Agreement, the Sole Sponsor concurs with our Directors that (i) the Gangyuan Design Service Agreement has been entered into in the ordinary and usual course of business of our Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for the Gangyuan Design Service Agreement are fair and reasonable and in the interest of our Shareholders as a whole.

RELATED PARTY TRANSACTIONS

Upon Listing, the transactions between our Group and our connected person(s) will constitute connected transactions under Chapter 14A of the Listing Rules. The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under the Hong Kong Accounting Standard 24 "Related Party Disclosures" issued by the Hong Kong Institute of Certified Public Accountants. Accordingly, the connected transactions as set out in this section may differ from the related party transactions of our Group. Details of our related party transactions during the Track Record Period are set out in note 34 of the accountants' report in Appendix I to this prospectus.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the Capitalisation Issue and the Global Offering:

As of the date of this prospectus

	<i>HK\$</i>	Approximate percentage of issued share capital
Authorised share capital:		
39,000,000 Shares	390,000	
Issued share capital:		
1,000 Shares	10	100%

Immediately upon completion of the Capitalisation Issue and the Global Offering

	<i>HK\$</i>	Approximate percentage of issued share capital
Authorised share capital:		
4,000,000,000 Shares	40,000,000	
Existing issued share capital:		
1,000 Shares	10	0.01%
Issue of Shares pursuant to the Capitalisation Issue:		
854,999,000 Shares	8,549,990	74.99%
Issue of Shares pursuant to the Global Offering:		
285,000,000 Shares	2,850,000	25.00%
Total issued Shares upon completion of the Capitalisation Issue and the Global Offering:		
1,140,000,000 Shares	11,400,000	100%

SHARE CAPITAL

ASSUMPTIONS

The previous table assumes that the Capitalisation Issue and the Global Offering have become unconditional and our Shares are issued pursuant to the Capitalisation Issue and the Global Offering. It assumes that the Over-allotment Option is not exercised and takes no account of any Shares which may be allotted and issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates referred to below.

RANKING

Our Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in “Structure and Conditions of the Global Offering – Conditions of the Global Offering”, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, see “A. Further Information about our Company – 3. Written resolutions of our Shareholders passed on 11 June 2018” in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders’ resolution (i) increase its authorised share capital; (ii) consolidate and divide its share capital into shares of a larger amount; (iii) subdivide its shares into shares of a smaller amount; or (iv) cancel any shares which have not been taken. In addition, our Company may reduce its share capital by shareholders’ special resolution, subject to confirmation by the Grand Court of the Cayman Islands. For more details, see “2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix III.

SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to a Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, see “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix III.

THE PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

We have conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for the Shares. As at the Latest Practicable Date, options to subscribe for an aggregate of 30,483,600 Shares were granted under the Pre-IPO Share Option Scheme and no options have been granted under the Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in “D. Pre-IPO Share Option Scheme” and “E. Share Option Scheme” in Appendix IV.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest/ Capacity	As at the date of this prospectus		Number of Shares held ^(Note 1)	Immediately after completion of the Capitalisation Issue and the Global Offering
		Number of Shares held	Approximate percentage of shareholding		Approximate percentage of shareholding (assuming the Over- allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme)
Eagle Vision	Beneficial owner	700	70.00%	598,500,000	52.50%
Peacemark Enterprises ^(Note 2)	Interest in controlled corporation	700	70.00%	598,500,000	52.50%
Jangho HK ^(Note 3)	Interest in controlled corporation	700	70.00%	598,500,000	52.50%
Jangho Co. ^(Note 4)	Interest in controlled corporation	700	70.00%	598,500,000	52.50%
Jiangheyuan ^(Note 5)	Interest in controlled corporation	700	70.00%	598,500,000	52.50%
Mr. Liu ^(Note 6)	Interest in controlled corporation	700	70.00%	598,500,000	52.50%
Ms. Fu ^(Note 7)	Interest of spouse	700	70.00%	598,500,000	52.50%
Sino Panda	Beneficial owner	300	30.00%	256,500,000	22.50%
Mr. Steve Leung ^(Note 8)	Interest in controlled corporation	300	30.00%	256,500,000	22.50%
CHAN Siu Wan ^(Note 9)	Interest of spouse	300	30.00%	256,500,000	22.50%
Gloryeild Enterprises ^(Note 10)	Interest in 10% or more of Shares	200	20.00%	171,000,000	15.00%
Sundart Holdings ^(Note 11)	Interest in 10% or more of Shares	200	20.00%	171,000,000	15.00%
Reach Glory ^(Note 12)	Interest in 10% or more of Shares	139	13.90%	118,845,000	10.43%
Health Capital ^(Note 13)	Interest in 10% or more of Shares	200	20.00%	171,000,000	15.00%
Gangyuan HK ^(Note 14)	Interest in 10% or more of Shares	200	20.00%	171,000,000	15.00%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest/ Capacity	As at the date of this prospectus		Immediately after completion of the Capitalisation Issue and the Global Offering	
		Number of Shares held	Approximate percentage of shareholding	Number of Shares held ^(Note 1)	Approximate percentage of shareholding (assuming the Over- allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme)
Gangyuan Decoration ^(Note 15)	Interest in 10% or more of Shares	200	20.00%	171,000,000	15.00%
Jangho Chuangzhan ^(Note 16)	Interest in 10% or more of Shares	137.5	13.75%	117,562,500	10.31%

Notes:

1. All interests stated are long positions.
2. Eagle Vision is beneficially owned as to approximately 42.86% by Peacemark Enterprises and therefore Peacemark Enterprises is deemed to be interested in the Shares held by Eagle Vision under the SFO.
3. Peacemark Enterprises is wholly and beneficially owned by Jangho HK and therefore Jangho HK is deemed to be interested in the Shares indirectly held by Peacemark Enterprises through Eagle Vision under the SFO.
4. Jangho HK is wholly and beneficially owned by Jangho Co. and therefore Jangho Co. is deemed to be interested in the Shares indirectly held by Jangho HK through Peacemark Enterprises and Eagle Vision under the SFO.
5. Ms. Fu, the spouse of Mr. Liu, is the sole director of Jiangheyuan. The board of directors of Jangho Co. is controlled by Jiangheyuan and therefore Jiangheyuan is deemed to be interested in the Shares held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
6. Jangho Co. is beneficially owned as to approximately 27.35% by Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse, Ms. Fu, respectively) and beneficially owned as to approximately 23.25% by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the Shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the Shares that Mr. Liu is interested in under the SFO.
8. Sino Panda is wholly and beneficially owned by Mr. Steve Leung and therefore Mr. Steve Leung is deemed to be interested in the Shares held by Sino Panda under the SFO.
9. CHAN Siu Wan is the spouse of Mr. Steve Leung and is therefore deemed to be interested in the Shares that Mr. Steve Leung is interested in under the SFO.
10. Eagle Vision is beneficially owned as to approximately 28.57% by Gloryeild Enterprises. As such, our Company is indirectly owned as to 20.00% and 15.00% by Gloryeild Enterprises as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.
11. Gloryeild Enterprises is wholly and beneficially owned by Sundart Holdings. As such, our Company is indirectly owned as to approximately 20.00% and 15.00% by Sundart Holdings as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.

SUBSTANTIAL SHAREHOLDERS

12. Sundart Holdings is beneficially owned as to approximately 69.50% by Reach Glory. As such, our Company is indirectly owned as to approximately 13.90% and 10.43% by Reach Glory as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.
13. Eagle Vision is beneficially owned as to approximately 28.57% by Health Capital. As such, our Company is indirectly owned as to 20.00% and 15.00% by Health Capital as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.
14. Health Capital is wholly and beneficially owned by Gangyuan HK. As such, our Company is indirectly owned as to approximately 20.00% and 15.00% by Gangyuan HK as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.
15. Gangyuan HK is wholly and beneficially owned by Gangyuan Decoration. As such, our Company is indirectly owned as to approximately 20.00% and 15.00% by Gangyuan Decoration as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming no exercise of Over-allotment Option and no exercise of any share option which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.
16. Gangyuan Decoration is beneficially owned as to 68.75% by Jangho Chuangzhan. As such, our Company is indirectly owned as to approximately 13.75% and 10.31% by Jangho Chuangzhan as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), respectively.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of any class of Shares carrying rights to vote in all circumstances at general meetings of any other member of our Group.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial information as at and for FY2015, FY2016 and FY2017, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this prospectus. The consolidated financial information has been prepared in accordance with HKFRS. You should read the whole of the Accountants' Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

Founded in 1997, we are an internationally renowned and award-winning Interior Design Services and Interior Decorating & Furnishing Services provider headquartered in Hong Kong with offices in Shenzhen, Guangzhou, Beijing, Shanghai and Chengdu in the PRC. According to the Frost & Sullivan Report, we ranked second among interior design services providers which did not provide any fitting-out services, representing 0.18% of the market share in terms of revenue for FY2017 in the PRC and Hong Kong interior design and decorating services industry. Well recognised in the PRC, Hong Kong and the overseas, we are known for undertaking residential, private residence and hospitality projects which target the high-end market in the PRC and Hong Kong.

During the Track Record Period, we sought to achieve optimal balance between costs, functionality and aesthetics to uplift lifestyle of end users by providing quality Interior Design Services. Along with concept creation, we assist our clients to achieve realisation of our design concepts through the provision of project documentation and construction supervision. For each of FY2015, FY2016 and FY2017, over 80.0% of our revenue was generated through the provision of our Interior Design Services.

To best showcase and enhance our interior designs, we also assist in furnishing the functional space with the use of FF&A by providing Interior Decorating & Furnishing Services to clients who engaged us for Interior Design Services during the Track Record Period. Our Interior Decorating & Furnishing Services started off as value-added services offered under our Interior Design Services. In view of its market potential, our management decided to commit resources in developing our Interior Decorating & Furnishing Services. In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major types of services when Steve

FINANCIAL INFORMATION

Leung Lifestyle was incorporated and our decoration teams were formally organised into an individual operating business unit. For FY2015, FY2016 and FY2017, 4.1%, 7.8% and 16.3% of our revenue was generated through the provision of our Interior Decorating & Furnishing Services, respectively. The remaining revenue, representing not more than 1.0% of our revenue for each of FY2015, FY2016 and FY2017, was attributable to the provision of Product Design Services.

During the Track Record Period, we recorded our revenue of HK\$249.9 million, HK\$318.6 million and HK\$434.8 million for FY2015, FY2016 and FY2017, respectively; our profit for the year recorded at HK\$33.2 million, HK\$60.2 million and HK\$73.6 million for the same respective periods.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company and SLD Group Holdings were interspersed between SLDL and its shareholders on 21 April 2017. After that our Company became the holding company of the companies now comprising our Group. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group which include the results, changes in equity and cash flows of the companies comprising our Group for the Track Record Period have been prepared as if our Company had always been the holding company of SLDL throughout the Track Record Period, or since their respective dates of incorporation/registration, where it is a shorter period.

The consolidated statements of financial position of our Group as at 31 December 2015, 2016 and 2017 present the assets and liabilities of the companies comprising our Group which had been incorporated or registered on those dates and as if the current group structure had been in existence as at those dates.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Changes in the economic, political and social conditions and property development industry in the PRC

Our business and results of operations are subject to the political, economic and social policies and conditions in the PRC, as most of our revenue was derived from the PRC. Our revenue derived from the PRC were HK\$185.2 million, HK\$261.2 million and HK\$374.8 million for FY2015, FY2016 and FY2017, respectively, which accounted for 74.1%, 82.0% and 86.2% for the same years, respectively. Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions and government policies. Any change in the political, economic and social policies and conditions in the PRC may bring uncertainty to our business operations and may materially and adversely affect our prospects and results of operations. For details, see “Risk Factors – Risks relating to our Business – We rely heavily on the PRC market.”

During the Track Record Period, 59.7%, 66.3% and 64.9% of our total revenue were derived from residential projects in the PRC for FY2015, FY2016 and FY2017, respectively. Therefore, our results of operations are highly affected by the property development industry in the PRC. There have been concerns over the sustainability of the property market growth in the PRC due to (i) the implementation of property market cooling measures; and/or (ii) weaker economic momentum in certain sectors of the PRC economy. The slowdown of the property development industry in the PRC may adversely impact the number of available residential projects, thereby reducing demand for our services. Accordingly, our results of operations and financial performance are affected by the market expectation on and prospects of the property development industry in the PRC. In the event that the development and growth of property development industry in the PRC is not sustained or slows down, or there is any change in market expectation on our clients’ industry, our business, results of operations, financial condition and prospects may be materially and adversely affected. For details, see “Risk Factors – Risks relating to our business – Majority of our revenue was derived from our residential projects awarded by property developers. We are therefore highly affected by the development and growth in our major clients’ property development industry.”

FINANCIAL INFORMATION

Revenue mix

Our business is mainly project based. Our profitability and results of operations are affected by our provision of different service offerings. We mainly provide Interior Design Services and Interior Decorating & Furnishing Services. We also derive revenue from Product Design Services. Our gross profit margins vary between business segments attributable to our different services. Our service and project mix may change over time and the magnitude of such change has a direct impact on our revenue and profitability. The following table sets forth a breakdown of our revenue, gross profit and gross profit margins by business segments for the periods indicated:

	FY2015			FY2016			FY2017		
	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %	Revenue HK\$'000	Gross profit HK\$'000	Gross profit margin %
Interior Design Services	238,867	119,261	49.9	292,133	168,652	57.7	360,478	198,947	55.2
Interior Decorating & Furnishing Services	10,209	6,906	67.6	24,793	10,271	41.4	70,700	12,256	17.3
Product Design Services	789	470	59.6	1,682	1,509	89.7	3,644	1,862	51.1
Overall	<u>249,865</u>	<u>126,637</u>	50.7	<u>318,608</u>	<u>180,432</u>	56.6	<u>434,822</u>	<u>213,065</u>	49.0

The revenue mix have affected, and are expected to continue to affect, our financial performance as different services generate different gross profits depending on factors such as cost structures, type of projects involved, and pricing strategies. The fluctuation of our overall gross profit margin was principally attributable to the change in revenue mix in our services. Going forward, we will continue to evaluate and adjust portfolio of our service offerings from time to time so as to focus on services with higher profit margins, greater market demand and better potential to maintain or increase our profitability.

Pricing of our contracts

Our service fee which is generally a fixed fee and payable according to the payment schedule, is determined on a case-by-case basis with reference to (i) reference unit price formulated for different categories of projects and services; and (ii) design area, adjusted by factors such as the scope and volume of work, the identity and our relationship with the client, the number of contracts awarded by the client at the relevant time and the then market conditions. The reference unit price has taken into account our target margin, our historical service fee charged for similar projects, anticipated design work, the estimated project costs (which mainly includes the direct

FINANCIAL INFORMATION

staff cost, sub-contracting costs and material costs), and target market. Our management would review the reference unit price regularly to ensure the competitiveness of our service fee and maintain our profitability. Pricing is particularly important for our projects since once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances, save and except in the event of any change of scope agreed in advance between the parties.

Further details of our pricing policy are set out in “Business – Sales and Marketing – Pricing policy”. If we fail to adjust our pricing strategy in response to the changing market environment, the operating results and financial performance of our Group could be adversely affected.

Attraction and retention of talented staff and staff costs

We believe our employees are the most important asset, and we intend to continue to invest in employing and retaining talented employees to serve our clients and grow our business. During the Track Record Period, we retained a management team with extensive industry experiences and a strong workforce. The number of our full-time employees increased from around 350 as at 1 January 2014 to around 520 as at 31 December 2017. The increase was mainly attributable to the acquisition of 80% interest in Gangyuan Design and our expansion of business. We believe that it is important to attract and develop our newly employed personnel and to retain our key existing employees in order to continue to grow and manage our business successfully.

We are developing and implementing a number of employee recruiting and retention incentives to attract, retain and motivate a sufficient number of interior designers and decorators for our business operation and planned expansion. For details, see “Business – Employees”. As part of our continuing efforts to enhance the quality of our services, we will also encourage our employees to attend training to keep abreast of latest development in order to support our business growth.

In addition, to enhance the stability and the sense of belonging of our selected employees, we adopted the “Three-Year Loyalty Incentive Scheme” (the “Loyalty Incentive Scheme”) and the “Share-linked Bonus and Share Conversion Scheme” (the “Conversion Scheme”) in 2014 as our long-term employee benefits. Subject to the Loyalty Incentive Scheme, we will pay a double amount as an incentive bonus to the employees participating in the Loyalty Incentive Scheme, under which up to 50% of their respective year-end special bonus for FY2014, FY2015 and/or FY2016 may be retained with our Group for a term of 24 months commencing from 31 December of the relevant years. Pursuant to the Conversion Scheme, the eligible employees may use the amount he/she is entitled to (including the original retained sum and the incentive bonus) under the Loyalty Incentive Scheme to acquire the dividend rights in the shares of SLDL in January 2017 at the price of HK\$2,500,000 per 1% of total dividend rights in the issued share capital of SLDL from Eagle Vision and Mr. Steve Leung in equal

FINANCIAL INFORMATION

shares. Such dividend rights will be converted into shares of SLDL in January 2022. For details, see “History, Development and Reorganisation – Three-Year Loyalty Incentive Scheme, Conversion Scheme and Settlement Plan”. The aggregate amount of staff costs under the Loyalty Incentive Scheme for FY2018 is estimated to be HK\$1.9 million, and the maximum exposure of our Group under such scheme (representing the estimated total amount recognised and to be recognised in the profit or loss) is estimated to be HK\$6.9 million.

Our total staff costs including director’s remuneration amounted HK\$138.2 million, HK\$140.8 million and HK\$169.7 million for FY2015, FY2016 and FY2017, respectively, which accounted for 55.3%, 44.2% and 39.0% of total revenue for the same years, respectively. The higher staff costs as a percentage of total revenue in FY2015 was due to expansion of our business and the decrease in staff costs as a percentage of total revenue for FY2016 and FY2017 was mainly attributable to our cost control initiatives taken and improved operational efficiency during the year.

For illustrative purpose only, the table below illustrates the sensitivity on our profit before taxation resulting from hypothetical fluctuation in staff costs for the years indicated:

Hypothetical fluctuations ^(Note 1)	+/-10% HK\$’000	+/-20% HK\$’000
Increase/decrease in staff costs		
FY2015	+/-13,817	+/-27,635
FY2016	+/-14,082	+/-28,163
FY2017	+/-16,975	+/-33,950
Decrease/increase in profit before taxation ^(Note 2)		
FY2015	-/+13,817	-/+27,635
FY2016	-/+14,082	-/+28,163
FY2017	-/+16,975	-/+33,950

Notes:

1. Hypothetical fluctuation is assumed to be 10% and 20% with reference to the change in our average staff costs (including director’s remuneration) during the Track Record Period.
2. Save for the hypothetical fluctuation in staff costs, all other factors are assumed to be unchanged.

According to Frost & Sullivan Report, staff cost is considered as the most essential cost component comparing to other operational costs for interior design and decorating services companies, since they rely heavily on the expertise and unique knowledge of interior designers and decorators to operate business. For illustrative purpose, with other factors we unchanged, we would have recorded a breakeven in our net profit if our staff costs increased by 24.0%, 42.7% and 43.3%, respectively, during the corresponding periods.

FINANCIAL INFORMATION

If we cannot successfully implement all or any of these incentives or, if implemented, these incentives do not achieve the intended benefits generally or within our desired timeframe, we may not be able to successfully recruit, motivate and retain a sufficient number of interior designers and decorators with the necessary qualifications at commercially reasonable costs, or at all. In addition, if there is labour shortage in the interior design and decorating services industry, the competition for qualified and talented interior designers and decorators could lead to us paying higher salary resulting in a significant increase in the staff costs, which our profitability, business and results of operation will be adversely impacted.

Recognition of revenue from service contracts

For Interior Design Services and Interior Decorating & Furnishing Services, we generally recognise our revenue from service contracts based on the percentage of completion of our contracts. Pursuant to the percentage of completion method, which is based on the percentage of the incurred budgeted cost, revenues are recognised by reference to the time cost by our interior designers and decorators. After commencement of the project, subject to the terms of the contracts, we will submit progress invoice to our clients and make progress claims upon meeting an agreed milestone(s). There may be time lag between recognised revenue and the progress invoice to our clients.

Therefore, our recognition of revenue from service contracts and operating cash flow largely depend on the progress of the projects, the time upon which we become entitled to make claim for progress payments and the timing of settlement of our outstanding progress billings by clients. The progress and timeframe of our projects are affected by various factors, such as the project timeline and progress of services rendered, whereas the timing upon which we are entitled to make claim and receive progress payment depend on the project milestones as stated in the contract and the length of internal procedures required to be completed by our clients for approving settlement of our progress billing and negotiation with our clients. Thus, the number of contracts, the progress of each contract we undertake and progress of our progress billing settlement may affect our results of operations and lead to fluctuations in revenue recognised from period to period.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements in accordance with HKFRS. The Accountants' Report in Appendix I to this prospectus set forth these significant accounting policies in note 3 to note 5. Some of our accounting policies involve subjective assumptions and estimates, as well as judgements relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our consolidated financial statements.

Service contracts

Where the outcome of a service contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the client are included in the consolidated statements of financial position under trade receivables.

FINANCIAL INFORMATION

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated client returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that the future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities, as described below.

Revenue derived from the provision of services under Interior Design Services, Interior Decorating & Furnishing Services and Product Design Service is recognised when the outcome of the contract can be measured reliably and the stage of completion at the end of the reporting period can be measured reliably. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the clients.

Revenue derived from supply of FF&A under Interior Decorating & Furnishing Services is recognised when the goods are delivered and titles have passed.

Licence fee income derived from licensing arrangement of Product Design Services is recognised on an accrued basis in accordance with the substance of the relevant agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payments arrangements

Where a shareholder transferred the equity instruments of a group entity to an employee in return for service provided to our Group, the transaction is accounted for as equity-settled share-based payment transaction of our Group. The fair value of services received is determined by reference to the fair value of the equity instruments at the grant date. It is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (i.e. long-term employee benefit reserve). At the end of each reporting period, our Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

FINANCIAL INFORMATION

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by our Group in respect of services provided by employees up to the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Stage of completion of Interior Design Services and Interior Decorating & Furnishing Services provided under service contracts

Our Group recognised income and expenses associated with Interior Design Services and Interior Decorating & Furnishing Services provided under service contracts in accordance with HKAS 18 Revenue. Our Group recognised service fee income under service contracts according to the stage of completion of individual contract, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by our management. Due to the nature of the activity undertaken in service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, our Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses. The actual outcome of the contracts in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Allowances for doubtful debts

The provision policy for bad and doubtful debts of our Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of clients of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

FINANCIAL INFORMATION

IMPACT OF FUTURE ACCOUNTING POLICY CHANGES

HKFRS 9 Financial Instruments

The HKICPA issued HKFRS 9 and its amendments which have been effective since 1 January 2018 and replace the information related to classification, measurement and de-recognition of financial assets and financial liabilities under HKAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. The application of HKFRS 9 may have an impact on amounts reported in respect of our financial assets, such as impairment on trade receivables, resulting from early provision of credit losses which are not yet incurred in relation to our Group's financial assets measured at amortised cost. Except for the above, our Directors do not anticipate that the application of HKFRS 9 in the future will have a material impact on our Group's future financial position and performance. For more information, please refer to note 3 of the Accountants' Report in Appendix I to this prospectus.

Except for the expected credit loss model that may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost, our Directors do not expect any other material impact on the results and financial position of the Group in view of the Group's existing business model.

HKFRS 15 Revenue from contracts with customers

The HKICPA issued HKFRS 15 and its amendment in 2016, which have been effective since 1 January 2018 and supersede the current revenue recognition guidance including HKAS 18, HKAS 11 and the related interpretations. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Our Directors do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on our Group's financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15. For more information, please refer to note 3 of the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of profit or loss and other comprehensive income for the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>
Revenue	249,865	318,608	434,822
Cost of sales	<u>(123,228)</u>	<u>(138,176)</u>	<u>(221,757)</u>
Gross profit	126,637	180,432	213,065
Other gains and losses	(6,136)	(6,576)	(1,888)
Other income	5,304	2,882	1,926
Administrative expenses	(80,711)	(84,459)	(102,806)
Listing expense	–	(12,554)	(8,826)
Finance costs	<u>–</u>	<u>(194)</u>	<u>(149)</u>
Profit before taxation	45,094	79,531	101,322
Income tax expense	<u>(11,898)</u>	<u>(19,376)</u>	<u>(27,763)</u>
Profit for the year	<u><u>33,196</u></u>	<u><u>60,155</u></u>	<u><u>73,559</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated our revenue from provision of services mainly including (i) Interior Design Services; (ii) Interior Decorating & Furnishing Services; and (iii) Product Design Services. The following table sets forth the breakdown of our revenue by types of services for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Interior Design Services	238,867	95.6	292,133	91.7	360,478	82.9
Interior Decorating & Furnishing Services	10,209	4.1	24,793	7.8	70,700	16.3
Product Design Services	789	0.3	1,682	0.5	3,644	0.8
	<u>249,865</u>	<u>100.0</u>	<u>318,608</u>	<u>100.0</u>	<u>434,822</u>	<u>100.0</u>

Revenue from provision of Interior Design Services is recognised for the services rendered with reference to the stage of completion of contract work. During the Track Record Period, our revenue from Interior Design services accounted for 95.6%, 91.7%, and 82.9% of total revenue for FY2015, FY2016 and FY2017, respectively. Our continuous increase in revenue from Interior Design Services during the Track Record Period was mainly due to the increase in number of on-going and completed contracts for residential projects and private residential projects in the PRC, reflecting the steady growth of real estate market in the PRC during the Track Record Period.

In June 2015, Interior Decorating & Furnishing Services were formally introduced as one of our major type of services, which mainly included interior decorating services, the revenue from which were recognised from related services rendered with reference to the stage of completion of contract work. We also included revenue from supply of FF&A for procurement, supply, installation and/or setting up of FF&A provided under Interior Decorating & Furnishing Services, which was recognised when related products were delivered and titles passed. Our revenue from Interior Decorating & Furnishing Services accounted for 4.1%, 7.8% and 16.3% of total revenue for FY2015, FY2016 and FY2017, respectively.

Part of the revenue from Product Design Services derived from licence arrangement is recognised on an accrued basis in accordance with the relevant agreements. Our revenue from Product Design Services accounted for 0.3%, 0.5% and 0.8% of total revenue for FY2015, FY2016 and FY2017, respectively.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue by geographical locations for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
PRC	185,165	74.1	261,224	82.0	374,845	86.2
Hong Kong	48,713	19.5	39,076	12.3	37,532	8.6
Others ^(Note)	15,987	6.4	18,308	5.7	22,445	5.2
	<u>249,865</u>	<u>100.0</u>	<u>318,608</u>	<u>100.0</u>	<u>434,822</u>	<u>100.0</u>

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
The PRC						
Interior Design Services	177,373	71.0	238,442	74.9	304,049	69.9
Interior Decorating & Furnishing Services	7,792	3.1	22,320	7.0	68,820	15.9
Product Design Services	–	–	462	0.1	1,976	0.4
Hong Kong						
Interior Design Services	46,425	18.5	36,793	11.5	36,417	8.4
Interior Decorating & Furnishing Services	2,088	0.9	2,283	0.8	1,115	0.2
Product Design Services	200	0.1	–	–	–	–
Others^(Note)						
Interior Design Services	15,069	6.1	16,898	5.3	20,012	4.6
Interior Decorating & Furnishing Services	329	0.1	190	0.0	765	0.2
Product Design Services	589	0.2	1,220	0.4	1,668	0.4
	<u>249,865</u>	<u>100.0</u>	<u>318,608</u>	<u>100.0</u>	<u>434,822</u>	<u>100.0</u>

Note: During the Track Record Period, the other geographical locations were Canada, Germany, Italy, Japan, Macau, Malaysia, Mongolia, Myanmar, the Philippines, Qatar, Saudi Arabia, Singapore, Switzerland, Taiwan, Thailand, the United Arab Emirates and the United Kingdom.

Our revenue was mainly derived from the PRC, which amounted to HK\$185.2 million, HK\$261.2 million and HK\$374.8 million for FY2015, FY2016 and FY2017, respectively, representing 74.1%, 82.0% and 86.2% of our total revenue for the respective periods. The lower amount of revenue from the PRC for FY2015 was primarily driven by the decrease in the number of on-going and completed contracts for provision of Interior Design Services for residential projects as our clients took longer time for internal approval of progress reports affected by the decrease in growth of investment in real estate development in the PRC during 2015. The increase

FINANCIAL INFORMATION

in revenue from the PRC for FY2016 and FY2017 was mainly attributable to the recovery of the PRC real estate market and our expansion of Interior Decorating & Furnishing Services business in the PRC. It was estimated HK\$12.6 million and HK\$2.0 million of revenue was recognised in 2016 and 2017 attributed to those clients who lengthened the project progress process in 2015.

Our revenue from Hong Kong accounted for HK\$48.7 million, HK\$39.1 million and HK\$37.5 million for FY2015, FY2016 and FY2017, respectively, representing 19.5%, 12.3% and 8.6% for the respective periods.

Our revenue from other locations accounted for HK\$16.0 million, HK\$18.3 million and HK\$22.4 million for FY2015, FY2016 and FY2017, respectively, representing 6.4%, 5.7% and 5.2% of our total revenue for the respective periods.

The following table sets forth a breakdown of revenue by project type and number of contracts (on-going and completed) for the periods indicated:

	FY2015			FY2016			FY2017		
	No. of contracts	Revenue recognised HK\$'000	%	No. of contracts	Revenue recognised HK\$'000	%	No. of contracts	Revenue recognised HK\$'000	%
Interior Design Services									
Residential project Private residence project	230	179,869	72.0	289	218,845	68.7	379	245,086	56.4
Hospitality project	20	14,277	5.7	34	16,511	5.2	35	35,860	8.3
Commercial project	42	29,360	11.8	72	33,932	10.6	87	45,321	10.4
Others ^(Note 1)	11	7,035	2.8	39	13,092	4.1	70	24,536	5.6
	5	8,326	3.3	33	9,753	3.1	22	9,675	2.2
Subtotal	308	238,867	95.6	467	292,133	91.7	593	360,478	82.9
Interior Decorating & Furnishing Services^(Note 2)									
Residential project Private residence project	58	7,926	3.2	144	21,934	6.9	233	63,488	14.6
Hospitality project	4	286	0.1	6	142	0.0	11	1,261	0.3
Commercial project	9	519	0.2	12	764	0.3	27	2,695	0.7
Others ^(Note 3)	1	32	0.0	4	277	0.1	11	1,305	0.3
	11	1,446	0.6	11	1,676	0.5	4	1,951	0.4
Subtotal	83	10,209	4.1	177	24,793	7.8	286	70,700	16.3
Product Design Services									
	5	789	0.3	6	1,682	0.5	11	3,644	0.8
	396	249,865	100.0	650	318,608	100.0	890	434,822	100.0

FINANCIAL INFORMATION

Notes:

1. During the Track Record Period, our other Interior Design Services projects included composite projects, education institution projects and healthcare projects.
2. For FY2015, FY2016 and FY2017, 40, 116 and 234 contracts involved the provision of both Interior Design Services and Interior Decorating & Furnishing Services, respectively. We had a total number of 356, 534 and 656 contracts for FY2015, FY2016 and FY2017, respectively.
3. During the Track Record Period, our other Interior Decorating & Furnishing Services projects included composite projects and procurement, supply, installation and/or setting of FF&A which could not be categorised based on types of property development.

Our Interior Design Services and Interior Decorating & Furnishing Services were mainly provided for a variety of properties under four major categories: (i) residential project; (ii) private residence project; (iii) hospitality project; and (iv) commercial project. The projects undertaken by us vary depending on our clients' needs.

During the Track Record Period, we primarily focused on the show flats, sales offices and standard provisions in residential projects in the PRC and Hong Kong by providing our services to property developers. Revenue for residential projects was our major component in revenue, with an aggregate amount of HK\$187.8 million, HK\$240.8 million and HK\$308.6 million for FY2015, FY2016 and FY2017, respectively, representing 75.2%, 75.6% and 71.0% of total revenue for the respective periods. The lower revenue for residential projects in FY2015 was mainly attributable to the decrease in number of on-going and completed contracts for residential projects in provision of Interior Design Services in the PRC during FY2015.

Private residence projects are mainly projects of apartments, penthouses and villas engaged directly by our individual private clients or through private corporations for private use. Our revenue from private residence projects accounted for HK\$14.6 million, HK\$16.7 million and HK\$37.1 million for FY2015, FY2016 and FY2017, respectively, representing 5.8%, 5.2% and 8.6% of total revenue for the respective periods. The increasing trend during the Track Record Period was mainly driven by the increase in number of private residence projects newly awarded as a result of our strategy to develop our business for private residence projects.

On top of our success in the residential property market, our Group has also taken part in a number of projects including hospitality, commercial projects and others, which accounted for an aggregate amount of 19.0%, 19.2% and 20.4% of our total revenue for FY2015, FY2016 and FY2017, respectively.

FINANCIAL INFORMATION

Cost of sales

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	76,643	62.2	77,191	55.8	96,865	43.7
Other staff benefit	1,271	1.0	1,085	0.8	1,435	0.6
Rental expenses	14,606	11.9	13,210	9.6	12,938	5.8
Sub-contracting fees	6,656	5.4	13,185	9.6	37,552	16.9
Cost of goods sold	1,566	1.2	5,271	3.8	44,275	20.0
Travel, communication and entertainment expenses	7,566	6.1	9,262	6.7	11,680	5.3
Depreciation and amortisation	6,914	5.7	5,007	3.6	5,450	2.5
Printing and stationery	1,497	1.2	2,877	2.1	1,071	0.5
Other tax expenses	815	0.7	2,349	1.7	3,057	1.4
Provision/(reversal) of losses for contracts	(1,349)	(1.1)	3,079	2.2	(24)	(0.0)
Others	7,043	5.7	5,660	4.1	7,458	3.4
	<u>123,228</u>	<u>100.0</u>	<u>138,176</u>	<u>100.0</u>	<u>221,757</u>	<u>100.0</u>

Our cost of sales mainly comprised staff costs, rental expenses, sub-contracting fees, cost of goods sold, travel, communication and entertainment expenses, depreciation and amortisation, and printing and stationery. Our cost of sales amounted to HK\$123.2 million, HK\$138.2 million and HK\$221.8 million for FY2015, FY2016 and FY2017, respectively. Staff costs which were our major costs, accounted for 62.2%, 55.8% and 43.7% of our total cost of sales for FY2015, FY2016 and FY2017, respectively, represented salaries, social security costs and other staff benefits for those who are directly involved in our projects and services. Sub-contracting fees mainly represented fees for cooperating with renowned interior designers, sub-consultants and other ancillary support service providers for Interior Design Services on a project-by-project basis, which accounted for 5.4%, 9.6% and 16.9% of our total cost of sales for FY2015, FY2016 and FY2017, respectively. For details, see “Business – Our Suppliers”. Rental expenses represented rents, rates and building management fees incurred for our offices in PRC and Hong Kong in relation to our provision of services, which accounted for 11.9%, 9.6% and 5.8% of our total cost of sales for FY2015, FY2016 and FY2017, respectively. Cost of goods sold was mainly related to purchase for supply of FF&A under the Interior Decorating & Furnishing Services. The significant increase in cost of goods sold for FY2017 resulted from the significant increase in revenue from supply of FF&A involved in Interior Decorating & Furnishing

FINANCIAL INFORMATION

Services we engaged in FY2017. Provision/(reversal) of losses for contracts came from our estimation of losses incurred depending on changes in contract performance and estimated profitability. Other tax expenses mainly included other PRC tax expenses. Others mainly included repair and maintenance, insurance and utility expenses.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by operating segments for the periods indicated:

	FY2015		FY2016		FY2017	
	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Interior Design Services	119,261	49.9	168,652	57.7	198,947	55.2
Interior Decorating & Furnishing Services	6,906	67.6	10,271	41.4	12,256	17.3
Product Design Services	470	59.6	1,509	89.7	1,862	51.1
Overall	<u>126,637</u>	50.7	<u>180,432</u>	56.6	<u>213,065</u>	49.0

As a result of the foregoing, we recorded gross profit during the Track Record Period, amounting to HK\$126.6 million, HK\$180.4 million and HK\$213.1 million for FY2015, FY2016 and FY2017, respectively.

We recorded overall gross profit margin of 50.7%, 56.6% and 49.0% for FY2015, FY2016 and FY2017, respectively. Our fluctuation in gross profit margin during the Track Record Period was primarily attributable to the change in revenue mix which contributed to different gross profit margins, depending on a number of factors including the type of projects we were engaged in, the scope, complexity, and scale of the projects, and the prevailing market price charged by our competitors.

Our overall gross profit was mainly contributed by our Interior Design Services, accounting for over 90% for each financial year during the Track Record Period. The lower gross profit margin for Interior Design Services for FY2015 was mainly attributable to the prolonged project duration for the residential projects in the PRC for FY2015. Our clients took longer time for each stage of project progress affected by the decrease in growth of the real estate market in the PRC in 2015. However, we still incurred additional costs as long as the projects were in the progress. Therefore, lower gross profit margin were recorded as more costs incurred for such projects.

FINANCIAL INFORMATION

Our gross profit margin for Interior Decorating & Furnishing Services decreased from 67.6% for FY2015 to 41.4% for FY2016 and further decreased to 17.3% for FY2017, this was mainly due to our Interior Decorating & Furnishing Services that involved more supply of FF&A over the Track Record Period which entailed lower gross profit margin. Our gross profit margin for procurement, supply, installation and/or setting up of FF&A provided ranged from 11.5% to 62.2% during the Track Record Period. The supply of FF&A has recorded a higher gross profit margin for FY2015 as we started the business during FY2015, which was then normalised in the following years with the involvement of more larger-scale projects.

Other gains and losses

The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Allowance for trade receivables	(1,843)	(1,646)	(5,040)
Exchange (loss)/gain, net	(4,333)	(4,153)	3,184
Gain (loss) on disposal of property, plant and equipment	40	(777)	(32)
	<u>(6,136)</u>	<u>(6,576)</u>	<u>(1,888)</u>

Our other gains and losses consisted of allowance for trade receivables, exchange gains or losses, and gains or losses on disposal of property, plant and equipment. Our exchange gains or losses mainly came from the translation of our RMB denominated assets and liabilities into our functional currency HK\$ using the spot rate at the end of each reporting period. Our other gains and losses recorded net losses of HK\$6.1 million, HK\$6.6 million and HK\$1.9 million for FY2015, FY2016 and FY2017, respectively.

FINANCIAL INFORMATION

Other income

The following table sets forth a breakdown of our other income for the periods indicated:

	FY2015 HK\$'000	FY2016 HK\$'000	FY2017 HK\$'000
Disbursement from clients	3,121	1,238	215
Grants received from local government	1,036	664	494
Interest income from bank deposits	411	346	585
Miscellaneous income	736	634	632
	<u>5,304</u>	<u>2,882</u>	<u>1,926</u>

Our other income consisted of disbursement from clients, grants received from local government, interest income from bank deposits and other miscellaneous income. Disbursement from clients mainly included disbursement in relation to additional accommodation and transportation expenses, or arrangement for presentation or site visits for our design and decoration teams in the course of service provision, except those expenses covered and included in the service contracts. Grants received from local government which amounted to HK\$1.0 million HK\$0.7 million and HK\$0.5 million for FY2015, FY2016 and FY2017, respectively, represented tax rebates from government and were one-off in nature with no future conditions attached.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2015		FY2016		FY2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	61,531	76.2	63,625	75.3	72,885	70.9
Other staff benefit	3,918	4.9	2,656	3.2	2,193	2.1
Rental expenses	5,565	6.9	5,772	6.8	7,947	7.7
Depreciation and amortisation	2,957	3.7	2,656	3.1	2,461	2.4
Travel, communication and entertainment expenses	1,557	1.9	1,676	2.0	2,159	2.1
Legal and professional fees	1,092	1.3	3,112	3.7	6,947	6.8
Others	4,091	5.1	4,962	5.9	8,214	8.0
	<u>80,711</u>	<u>100.0</u>	<u>84,459</u>	<u>100.0</u>	<u>102,806</u>	<u>100.0</u>

FINANCIAL INFORMATION

Our administrative expenses mainly included staff costs, rental expenses, depreciation and amortisation, travel, communication and entertainment expenses, and legal and professional fees. Others mainly included printing and stationery expenses, building management fees, media service fees, bank charges, insurance, utilities and others. Our administrative expenses accounted for 32.3%, 26.5% and 23.6% of total revenue for FY2015, FY2016 and FY2017, respectively. Staff costs and rental expenses were the two largest cost components of our administrative expenses. Staff costs primarily consisted of salaries, staff benefits in respect of Loyalty Incentive Scheme and Conversion Scheme and other staff benefits related to our administrative personnel, which accounted for 76.2%, 75.3% and 70.9% of total administrative expenses for FY2015, FY2016 and FY2017, respectively. Our rental expenses mainly represented rental of offices for our administrative staff, amounted to HK\$5.6 million, HK\$5.8 million and HK\$7.9 million for FY2015, FY2016 and FY2017, respectively.

Listing expense

Listing expense comprised professional and other expenses in relation to our Listing. Listing expense of HK\$12.6 million and HK\$8.8 million were recorded for FY2016 and FY2017.

Income tax expense

Income tax expenses represented income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

Cayman Islands/BVI profits tax

Our Group was not subject to any taxation in the Cayman Islands/BVI during the Track Record Period.

Hong Kong profits tax

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the Track Record Period.

PRC enterprise income tax (“EIT”)

All our PRC subsidiaries established in the PRC are subject to EIT at a standard enterprise income tax rate of 25%.

FINANCIAL INFORMATION

PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

For FY2015, FY2016 and FY2017, our income tax expenses were HK\$11.9 million, HK\$19.4 million and HK\$27.8 million, respectively, and our effective tax rate for the same period was 26.4%, 24.4% and 27.4%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and had not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

FY2017 compared to FY2016

Revenue

Our revenue increased by HK\$116.2 million or 36.5% from HK\$318.6 million for FY2016 to HK\$434.8 million for FY2017. Such increase mainly came from revenue from Interior Design Services and revenue from Interior Decorating & Furnishing Services.

Revenue from Interior Design Services

Our revenue from provision of Interior Design Services increased by HK\$68.4 million or 23.4% from HK\$292.1 million for FY2016 to HK\$360.5 million for FY2017. The increase was mainly due to (i) the increase in revenue from Interior Design Services for residential projects of HK\$26.2 million, primarily attributable to the increase in number of ongoing and completed contracts and the acquisition of 80% interest in Gangyuan Design; and (ii) the increase in revenue from Interior Design Services for private residence projects of HK\$19.3 million primarily as a result of certain large-scale projects we engaged during FY2017.

FINANCIAL INFORMATION

Revenue from Interior Decorating & Furnishing Services

Our revenue from provision of Interior Decorating & Furnishing Services increased by HK\$45.9 million from HK\$24.8 million for FY2016 to HK\$70.7 million for FY2017, primarily due to the significant increase in number of projects engaged in the PRC in FY2017 as a result of the Interior Decorating & Furnishing Services which were formally introduced in June 2015 and further expanded in FY2017.

Revenue from Product Design Services

Our revenue from provision of Product Design Services increased from HK\$1.7 million for FY2016 to HK\$3.6 million for FY2017, which was mainly due to the increase in contracts for Product Design Services during FY2017.

Cost of sales

Our cost of sales increased by HK\$83.6 million or 60.5% from HK\$138.2 million for FY2016 to HK\$221.8 million for FY2017. The increase in cost of sales was primarily due to (i) the increase in staff costs of HK\$19.7 million as a result of the increase in average salary base and the full-year effect of the acquisition of 80% interest in Gangyuan Design during 2016; (ii) the increase in sub-contracting fees of HK\$24.4 million primarily resulted from the acquisition of 80% interest in Gangyuan Design during 2016 and we began the engagement of subcontractors for ancillary services in FY2017, such as rendering drawing services, in view of operational efficiency improvement; and (iii) the increase in cost of goods sold of HK\$39.0 million in line with the increase in revenue from Interior Decorating & Furnishing Services which involved more supply of FF&A.

Gross profit and gross profit margin

As a result of the foregoing, our overall gross profit increased by HK\$32.7 million or 18.1% from HK\$180.4 million for FY2016 to HK\$213.1 million for FY2017. Our overall gross profit margin decreased from 56.6% for FY2016 to 49.0% for FY2017, which was mainly attributable to the decrease in gross profit margin from provision of Interior Decorating & Furnishing Services.

Our gross profit margin of Interior Design Services remained relatively stable at 57.7% and 55.2% for FY2016 and FY2017, respectively.

Our gross profit margin of Interior Decorating & Furnishing Services decreased from 41.4% for FY2016 to 17.3% for FY2017 mainly due to the significant increase in revenue from supply of FF&A involved in Interior Decorating & Furnishing Services we engaged, which contributed lower gross profit margin.

FINANCIAL INFORMATION

Other net losses

Our other net losses decreased from HK\$6.6 million for FY2016 to HK\$1.9 million for FY2017, mainly due to the change from net exchange loss of HK\$4.2 million for FY2016 as a result of the significant depreciation of RMB against HKD during FY2016 to the net exchange gain of HK\$3.2 million as a result of the appreciation of RMB against HKD during FY2017, and partially offset by the increase in allowance for trade receivables of HK\$3.4 million for FY2017.

Other income

Our other income decreased by HK\$1.0 million or 34.5% from HK\$2.9 million for FY2016 to HK\$1.9 million for FY2017, which was mainly attributable to the decrease in disbursements from clients during FY2017.

Administrative expenses

Our administrative expenses increased by HK\$18.3 million or 21.7% from HK\$84.5 million for FY2016 to HK\$102.8 million for FY2017. The increase was primarily due to (i) the increase in staff costs of HK\$9.3 million as a result of the increase in staff number from 67 for FY2016 to 80 for FY2017; (ii) the increase in legal and professional fees of HK\$3.8 million primarily resulting from maintenance of information technology system and legal fees related to our collection of outstanding trade receivables; and (iii) the increase in rental expenses of HK\$2.2 million mainly due to (a) the full-year effect for FY2017 of the acquisition of 80% interest in Gangyuan Design in 2016 and (b) because we reallocated our office in Hong Kong, the rent for both old and new offices were paid during the reallocation period.

Listing expense

Our listing expense which decreased from HK\$12.6 million for FY2016 to HK\$8.8 million for FY2017 was attributable to less professional and other expenses recognised for FY2017 in relation to our Listing.

Finance costs

Our finance costs remained insignificant at HK\$0.2 million and HK\$0.1 million for FY2016 and FY2017 respectively.

FINANCIAL INFORMATION

Income tax expense

Our income tax expense increased by HK\$8.4 million or 43.3% from HK\$19.4 million for FY2016 to HK\$27.8 million for FY2017. The increase was mainly due to the increase in profit before taxation for FY2017. Our increase in effective tax rate from 24.4% for FY2016 to 27.4% for FY2017, which was mainly due to the increase in revenue from the PRC which is taxed at a higher income tax rate of 25%.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK\$13.4 million or 22.3% from HK\$60.2 million for FY2016 to HK\$73.6 million for FY2017. Our net profit margin decreased from 18.9% for FY2016 to 16.9% for FY2017 which was mainly due to the decrease in gross profit margin for FY2017 as mentioned above.

FY2016 compared to FY2015

Revenue

Our revenue increased by HK\$68.7 million or 27.5% from HK\$249.9 million for FY2015 to HK\$318.6 million for FY2016. Such increase mainly came from revenue from Interior Design Services and revenue from Interior Decorating & Furnishing Services.

Revenue from Interior Design Services

Our revenue from provision of Interior Design Services increased by HK\$53.2 million or 22.3% from HK\$238.9 million for FY2015 to HK\$292.1 million for FY2016. The increase was mainly due to (i) the increase in revenue from Interior Design Services for residential projects of HK\$38.9 million, primarily attributable to the recovery of property market in the PRC in 2016, which resulted in the increase in number of on-going and completed contracts for residential projects in the PRC during 2016; (ii) the increase in revenue from Interior Design Services for commercial projects of HK\$6.1 million mainly as a result of the increased number of commercial projects we were engaged in during FY2016 and certain larger-scale commercial project in the PRC with a turnover of HK\$3.2 million undertaken in FY2016.

Revenue from Interior Decorating & Furnishing Services

Our revenue from provision of Interior Decorating & Furnishing Services increased by HK\$14.6 million from HK\$10.2 million for FY2015 to HK\$24.8 million for FY2016, mainly as a result of the Interior Decorating & Furnishing Services which were formally introduced in June 2015.

FINANCIAL INFORMATION

Revenue from Product Design Services

Our revenue from provision of Product Design Services were HK\$0.8 million and HK\$1.7 million, which remained insignificant for FY2015 and FY2016, respectively.

Cost of sales

Our cost of sales increased by HK\$15.0 million or 12.2%, from HK\$123.2 million for FY2015 to HK\$138.2 million for FY2016. The increase in cost of sales was primarily due to (i) the increase in sub-contracting fees of HK\$6.5 million primarily resulting from the acquisition of 80% interest in Gangyuan Design; (ii) the increase in cost of goods sold of HK\$3.7 million primarily as a result of our introduction of Interior Decorating & Furnishing Services in June 2015; and (iii) the provision of losses for contracts amounted HK\$3.1 million in FY2016 in relation to our on-going contracts in 2016.

Gross profit and gross profit margin

Our overall gross profit increased by HK\$53.8 million or 42.5% from HK\$126.6 million for FY2015 to HK\$180.4 million for FY2016. Our overall gross profit margin increased from 50.7% for FY2015 to 56.6% for FY2016, which was mainly attributable to the increase in gross profit margin from provision of Interior Design Services.

Our gross profit margin of Interior Design Services increased from 49.9% for FY2015 to 57.7% for FY2016, which was mainly due to (i) the cost control initiatives taken and improved operational efficiency during 2016; and (ii) primarily due to the prolonged project duration for our residential projects in the PRC in FY2015 as our clients took longer time for internal approval of progress reports affected by the overall slowdown of the PRC real estate market in 2015.

Our gross profit margin of Interior Decorating & Furnishing Services decreased from 67.6% for FY2015 to 41.4% for FY2016, this was mainly due to our Interior Decorating & Furnishing Services that involved more supply of FF&A in FY2016 which entailed lower gross profit margin.

Other net losses

Our other net losses increased by HK\$0.5 million or 8.2% from HK\$6.1 million for FY2015 to HK\$6.6 million for FY2016, mainly as a result of the increase in loss on disposal of property, plant and equipment of HK\$0.7 million related to disposal of leasehold improvement for certain offices in Shanghai and Beijing to streamline our business operations in view of efficiency improvement in FY2016.

FINANCIAL INFORMATION

Other income

Our other income decreased by HK\$2.4 million or 45.3% from HK\$5.3 million for FY2015 to HK\$2.9 million for FY2016, which was mainly due to (i) the decrease in disbursement from clients of HK\$1.9 million primarily as a result of the decreased demand of additional site visits for our service provision in FY2016; (ii) the decrease in the one-off tax rebates granted from the PRC government of HK\$0.4 million in FY2016.

Administrative expenses

Our administrative expenses increased by HK\$3.8 million or 4.7% from HK\$80.7 million for FY2015 to HK\$84.5 million for FY2016. The increase was primarily due to (i) the increase in staff costs of HK\$2.1 million primarily due to the increase in discretionary bonus for our administrative staff recognised in FY2016; and (ii) the increase in legal and professional fees of HK\$2.0 million primarily resulting from the increase in service charge for information technology system newly implemented in FY2015.

Listing expense

Our listing expense which increased from nil for FY2015 to HK\$12.6 million for FY2016 was attributable to professional and other expenses recognised for FY2016 in relation to our Listing.

Finance costs

Our finance costs increased from nil to HK\$0.2 million, which was attributable to bank loans utilised during FY2016.

Income tax expense

Our income tax expense increased by HK\$7.5 million or 63.0% from HK\$11.9 million for FY2015 to HK\$19.4 million for FY2016. The increase was mainly due to the increase in profit before taxation in FY2016. Our effective tax rate decreased from 26.4% for FY2015 to 24.4% for FY2016 primarily due to the decrease in the provision of withholding tax on profits of PRC subsidiaries in FY2016, which was partially offset by the one-off listing expense of HK\$12.6 million incurred for FY2016 which was non-deductible.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, our profit for the year increased by HK\$27.0 million or 81.3% from HK\$33.2 million for FY2015 to HK\$60.2 million for FY2016. Our net profit margin increased from 13.3% for FY2015 to 18.9% for FY2016 which was mainly due to the increase in gross profit margin and the decrease in administrative expenses as a percentage of our total revenue mainly as a result of our operational efficiency improvement in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to operating activities, capital expenditure and repayment of bank borrowings. We have historically financed our operations primarily through a combination of capital contribution from our Shareholders, cash flow generated from our operation and bank borrowings. We were able to repay our obligations under bank borrowings when they became due. We did not experience any difficulties in rolling over our bank borrowings during the Track Record Period. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed in “Future Plans and Use of Proceeds”.

Cash Flow

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

	FY2015	FY2016	FY2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	34,901	76,376	62,218
Net cash (used in)/from investing activities	(19,956)	16,766	(19,307)
Net cash used in financing activities	<u>(23,410)</u>	<u>(29,622)</u>	<u>(19,067)</u>
Net (decrease)/increase in cash and cash equivalents	(8,465)	63,520	23,844
Cash and cash equivalents at beginning of year	72,076	63,420	126,337
Effect of exchange rate changes	<u>(191)</u>	<u>(603)</u>	<u>4,729</u>
Cash and cash equivalents at end of year	<u>63,420</u>	<u>126,337</u>	<u>154,910</u>

FINANCIAL INFORMATION

Operating activities

Net cash from operating activities comprises profit before income tax adjusted for non-cash items, such as depreciation and amortisation, and adjusted for the change in working capital. During our Track Record Period, our cash flow from operating activities was principally derived from provision of services. Our cash used in operating activities was principally for operating expenses.

For FY2017, our net cash from operating activities of HK\$62.2 million was a combined result of operating cash inflow before changes in working capital of HK\$118.4 million, interest, income tax and withholding tax paid of HK\$21.3 million and change in working capital of HK\$34.9 million. Change in working capital primarily reflected an increase in trade and other receivables of HK\$25.4 million and the increase in amounts due from customers for contract works of HK\$10.3 million for FY2017.

For FY2016, our net cash from operating activities of HK\$76.4 million was a combined result of operating cash inflow before changes in working capital of HK\$93.3 million, net interest, income tax and withholding tax paid of HK\$13.4 million and change in working capital of HK\$3.5 million. Change in working capital primarily reflected an increase in trade and other receivables of HK\$7.7 million, an increase in amounts due from customers for contract works of HK\$2.0 million, which was partially offset by and an increase in amounts due to customers for contract works of HK\$6.6 million.

For FY2015, our net cash from operating activities of HK\$34.9 million was a combined result of operating cash inflow before changes in working capital of HK\$59.5 million, income tax paid of HK\$9.4 million and change in working capital of HK\$15.2 million. Change in working capital primarily reflected the increase in amounts due from customers for contract works of HK\$29.6 million, the increase in trade and other receivables of HK\$3.3 million and decrease in amounts due to customers for contract works of HK\$9.2 million, which was partially offset by the increase in other payables and accrued charges of HK\$27.4 million.

Investing activities

For FY2017, our net cash used in investing activities of HK\$19.3 million primarily reflected the settlement of consideration for acquisition of 80% interest in Gangyuan Design of HK\$8.2 million and deposits paid for acquisition of property, plant and equipment of HK\$6.7 million, mainly for renovation of new Hong Kong offices.

FINANCIAL INFORMATION

For FY2016, our net cash from investing activities of HK\$16.8 million primarily reflected the repayment from fellow subsidiaries of HK\$12.1 million, net cash inflow from acquisition of a subsidiary of HK\$7.1 million and which was partially offset by the purchase of property, plant and equipment of HK\$2.3 million mainly for leasehold improvement for our offices and office equipment.

For FY2015, our net cash used in investing activities of HK\$20.0 million primarily reflected advanced to fellow subsidiaries of HK\$11.9 million, purchase of property, plant and equipment of HK\$11.0 million mainly for leasehold improvements for our offices and office equipment, and which was partially offset by the proceeds from disposal of property, plant and equipment of HK\$3.7 million.

Financing activities

For FY2017, our net cash used in financing activities of HK\$19.1 million primarily reflected the dividend paid of HK\$65.0 million, which was partially offset by the contribution from shareholders of HK\$43.1 million during FY2017, and the additional net borrowing of HK\$3.0 million.

For FY2016, our net cash used in financing activities of HK\$29.6 million primarily reflected dividend paid of HK\$17.4 million, repayment to an intermediate holding company and a fellow subsidiary in an aggregate of HK\$16.2 million, which was partially offset by additional net bank borrowing of HK\$4.0 million.

For FY2015, our net cash used in financing activities of HK\$23.4 million primarily resulted from dividend paid of HK\$36.6 million and was partially offset by advance from an intermediate holding company of HK\$12.2 million.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations, available banking facilities and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30
	2015	2016	2017	April
	HK\$'000	HK\$'000	HK\$'000	2018 (unaudited) HK\$'000
Non-current Assets				
Property, plant and equipment	17,814	13,408	10,941	12,652
Intangible assets	3,604	4,795	4,025	4,050
Goodwill	–	1,206	1,290	1,335
Deposits paid for acquisition of property, plant and equipment	–	–	6,659	10,139
Rental deposits	3,716	2,512	3,292	2,686
Deferred tax assets	4,659	6,319	8,293	9,177
	<u>29,793</u>	<u>28,240</u>	<u>34,500</u>	<u>40,039</u>
Current Assets				
Inventories	919	1,769	1,384	1,511
Trade receivables	22,588	38,067	49,044	71,262
Other receivables, deposits and prepayments	17,544	11,771	23,448	27,266
Amount due from a fellow subsidiary	11,936	–	–	–
Amounts due from customers for contract works	88,368	93,472	110,371	114,947 ⁽¹⁾
Tax recoverable	4,458	259	466	409
Pledged bank deposit	–	–	1,004	–
Bank balances and cash	63,420	126,337	154,910	118,159
	<u>209,233</u>	<u>271,675</u>	<u>340,627</u>	<u>333,554</u>
Current Liabilities				
Trade payables	357	4,278	8,963	7,174
Other payables and accrued charges	76,698	76,738	84,378	70,402
Dividend payable	–	–	35,000	35,000
Bank borrowing	1,000	5,000	8,000	20,000
Amount due to an intermediate holding company	12,190	–	–	–
Amounts due to fellow subsidiaries	–	8,165	–	–
Amounts due to customers for contract works	2,385	8,503	5,334	9,050 ⁽²⁾
Tax liabilities	9,524	15,630	26,151	9,962
	<u>102,154</u>	<u>118,314</u>	<u>167,826</u>	<u>151,588</u>
Net Current Assets	<u>107,079</u>	<u>153,361</u>	<u>172,801</u>	<u>181,966</u>
Total Assets less Current Liabilities	<u>136,872</u>	<u>181,601</u>	<u>207,301</u>	<u>222,005</u>
Capital and Reserves				
Share capital	–	–	–	–
Reserves	136,790	173,971	199,174	213,626
Equity attributable to owners of the Company	136,790	173,971	199,174	213,626
Non-controlling interests	(1,720)	6,935	7,976	8,245
Total Equity	<u>135,070</u>	<u>180,906</u>	<u>207,150</u>	<u>221,871</u>
Non-current Liability				
Deferred tax liabilities	1,802	695	151	134
	<u>136,872</u>	<u>181,601</u>	<u>207,301</u>	<u>222,005</u>

FINANCIAL INFORMATION

Notes:

1. As we adopted new HKFRS 15 from 1 January 2018, our assets that should be classified as amounts due from customers for contract works according to the old HKFRS standard were classified as contract assets as of 30 April 2018 according to the new HKFRS. For the purpose of comparability, we set forth such assets as of 30 April 2018 under amounts due from customers for contract works as well in the table.
2. As we adopted new HKFRS 15 from 1 January 2018, our liabilities that should be classified as amounts due to customers for contract works according to the old HKFRS standard were classified as contract liabilities as of 30 April 2018 according to the new HKFRS. For the purpose of comparability, we set forth such liabilities as of 30 April 2018 under amounts due to customers for contract works as well in the table.

Net Current Assets

We recorded net current assets of HK\$107.1 million, HK\$153.4 million, HK\$172.8 million and HK\$182.0 million as at 31 December 2015, 2016, 2017 and 30 April 2018, respectively.

Our net current assets increased from HK\$107.1 million as at 31 December 2015 to HK\$153.4 million as at 31 December 2016. The increase was primarily due to the acquisition of 80% interest in Gangyuan Design and the improvement of performance mainly as a result of the increase in number of on-going and completed contracts and our improved operational efficiency during FY2016.

Our net current assets increased from HK\$153.4 million as at 31 December 2016 to HK\$172.8 million as at 31 December 2017. The increase was primarily due to the improvement of our operational performance for FY2017.

Our net current assets remained relatively stable at HK\$172.8 million and HK\$182.0 million as at 31 December 2017 and 30 April 2018, respectively.

Property, plant and equipment

Our property, plant and equipment mainly consisted of (i) leasehold improvements for offices, (ii) furniture and fixtures, (iii) office equipment, and (iv) motor vehicles and yacht. The carrying amount of property, plant and equipment was HK\$17.8 million, HK\$13.4 million and HK\$10.9 million as at 31 December 2015, 2016 and 2017, respectively, representing 59.8%, 47.5% and 31.7% of total non-current assets as at the respective dates.

Our property, plant and equipment decreased by HK\$4.4 million or 24.7% as at 31 December 2016 from HK\$17.8 million as at 31 December 2015 was mainly due to the disposal of leasehold improvement and office equipment for certain offices in Shanghai and Beijing to streamline our business operations and depreciation expenses recorded for FY2016. Our property, plant and equipment further decreased by HK\$2.5 million or 18.7% from HK\$13.4 million as at 31 December 2016 to HK\$10.9 million as at 31 December 2017 which was mainly attributable to the depreciation recognised for FY2017.

FINANCIAL INFORMATION

Goodwill

We recorded goodwill at HK\$1.2 million and HK\$1.3 million as at 31 December 2016 and 2017, respectively, arising from acquisition of 80% interest in Gangyuan Design in September 2016. A purchase price allocation analysis was performed to determine goodwill in relation to the acquisition, with assistance from an independent valuation specialist. Goodwill is the transaction price less the fair value of net assets acquired.

For the purpose of impairment testing, goodwill have been allocated to a cash-generating unit, representing Gangyuan Design acquired during FY2016, engaged in provision of Interior Design Services. Impairment reviews were performed by comparing the recoverable amount to the carrying amount of the cash-generating unit and assess any impairment. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Our management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market.

For FY2016 and FY2017, our management performed impairment review for the goodwill, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 13.47% and 13.47%, respectively. The cash flows beyond the five-year period are extrapolated using a 3% and 3% growth rate respectively. Our management believes that reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit containing the goodwill to exceed its recoverable amount.

Inventories

Our inventories principally comprise FF&A we purchased as considered to be commonly applicable for our Interior Decorating & Furnishing Services. Generally, FF&A we sourced for our decoration services were directly delivered by our suppliers or third party transportation service providers to the designated sites stipulated in the service contracts. The balance of our inventories were HK\$0.9 million, HK\$1.8 million and HK\$1.4 million as at 31 December 2015, 2016 and 2017, respectively which accounted for 0.4%, 0.7% and 0.4% of our total current assets as at the respective dates.

FINANCIAL INFORMATION

Our inventories increased during the Track Record Period mainly due to the expanded business of Interior Decorating & Furnishing Services and we purchased more commonly used FF&A in view of strengthening our flexibility to undertake large-scale Interior Decorating & Furnishing Services projects that require advance inventory procurement.

We semi-annually review our inventory levels for slow moving inventory, obsolescence or declines in market value. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. No provision for impairment of inventories were recorded as at 31 December 2015, 2016 and 2017, respectively.

The following table sets forth the turnover days of our inventories for the periods indicated.

	FY2015	FY2016	FY2017
Average inventory turnover days ^(Note)	146	93	13

Note: Average inventory turnover days is calculated using the arithmetic mean of the beginning and closing balances of inventories for the relevant year divided by cost of goods sold and multiplying by 365 days in the relevant year.

We recorded higher average inventory turnover days for FY2015 which was mainly as we began the Interior Decorating & Furnishing Services in June 2015, which resulting in the lower cost of goods sold and more purchase close to the end of 2015. The lower inventory turnover days for FY2017 was mainly due to the higher cost of goods sold for FY2017 as a result of the significant increase in revenue from supply of FF&A involved in Interior Decorating & Furnishing Services we engaged for FY2017 while we maintained a relatively stable level of inventories.

As at 31 May 2018, HK\$66,000 or 4.8% of our inventories as at 31 December 2017 had been sold.

FINANCIAL INFORMATION

Trade and other receivables

The following table sets forth the components of our trade and other receivables as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables			
Trade receivables	29,084	45,671	62,336
Less: allowance for doubtful debts	(6,496)	(7,604)	(13,292)
	22,588	38,067	49,044
Other receivables, deposits and prepayments			
Materials purchased and to be reimbursed by clients	8,003	–	–
Other receivables	4,278	4,813	7,312
Prepayments	4,370	2,628	5,041
Deposit for property, plant and equipment acquisition	–	–	6,659
Deferred issue costs	–	2,221	6,440
Other deposits	135	525	897
Rental deposits			
– Current	758	1,584	3,758
– Non-current	3,716	2,512	3,292
	21,260	14,283	33,399
Total	43,848	52,350	82,443

(i) *Trade receivables*

Our Group's business is project-based of which our trade receivables is subject to the progress and number of the projects as at the reporting date. Typically, we are entitled to make progress payment from our clients upon meeting a specified project milestone. Progress payment billed by us but not yet settled by our clients are recognised as our trade receivables.

Our trade receivables increased from HK\$22.6 million as at 31 December 2015 to HK\$38.1 million as at 31 December 2016, which was mainly due to the acquisition of 80% interest in Gangyuan Design and the increase in number of the projects completed in the PRC in FY2016. Our trade receivables increased from HK\$38.1 million as at 31 December 2016 to HK\$49.0 million as at 31 December 2017, which was mainly due to the increase in revenue in FY2017.

FINANCIAL INFORMATION

Our Group generally grants no credit period on billing for our services provided. Our management has imposed control over its outstanding receivables. All overdue balances are reviewed regularly by senior management. The receivables are non-interest bearing. We seek to maintain strict control over our outstanding receivables to minimise the credit risk. We typically do not require any collateral as security.

The following table sets forth the aging analysis (based on invoice dates) of our net trade receivables due from third parties, as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	5,181	17,256	14,513
31-90 days	9,739	13,144	13,866
90-180 days	739	3,022	8,937
Over 180 days	6,929	4,645	11,728
	<u>22,588</u>	<u>38,067</u>	<u>49,044</u>
Total	<u>22,588</u>	<u>38,067</u>	<u>49,044</u>

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgement and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be collectible. We closely review the trade receivables balances and any overdue balances on an on-going basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of certain overdue trade receivables in order to ensure the quality of our assets. We did not experience any material payment defaults from our clients during the Track Record Period. For FY2015 and FY2016 and FY2017, our provision for impairment of trade receivables was HK\$1.8 million, HK\$1.6 million and HK\$7.2 million, respectively.

As at 31 December 2015, 2016 and 2017, all our trade receivables were past due but not impaired at each period end for which our Group had not provided for impairment loss since the amounts were still considered recoverable based on the historical experience.

FINANCIAL INFORMATION

As at 31 May 2018, HK\$28.8 million or 58.7% of our trade receivables outstanding as at 31 December 2017 were settled.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	FY2015	FY2016	FY2017
Average turnover days of trade receivables ^(Note)	40	35	37

Note: Average turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue and multiplied by number of days in the relevant year. Average balance of trade receivables is the arithmetic mean of the beginning and the ending balance for the relevant year.

Our trade receivable turnover days remained relatively stable during the Track Record Period.

(ii) *Other receivables, prepayments and deposits*

Other receivables, prepayments and deposits mainly comprised materials purchased and to be reimbursed by clients for interior decorating services (which were offered as value-added services before the formal introduction of the Interior Decorating & Furnishing Services in June 2015), prepayments, deferred issue costs, rental deposits for lease of our offices, other deposits, and other receivables. Prepayments mainly represented prepaid expenses for purchase of FF&A, insurance, service charge for information technology system and others. Other deposits mainly comprised deposits for travel and accommodation expenses and other operational expenses. Other receivables mainly included value-added tax recoverables and staff advance.

Our other receivables, prepayments and deposits decreased from HK\$21.3 million as at 31 December 2015 to HK\$14.3 million as at 31 December 2016, which was mainly due to the decrease in materials purchased and to be reimbursed by clients of HK\$8.0 million as Interior Decorating & Furnishing Services were formally introduced in June 2015 and such items no longer existed.

Our other receivables, prepayments and deposits increased from HK\$14.3 million as at 31 December 2016 to HK\$33.4 million as at 31 December 2017, which was mainly due to (i) the deposit for property, plant and equipment acquisition of HK\$6.7 million mainly for renovation of our new offices in HK; (ii) the increase in prepayments of HK\$2.4 million primarily as a result of the increased purchase for Interior Decorating & Furnishing Services; (iii) the increase in deferred issue costs of HK\$4.2 million primarily resulting from the issue costs incurred for FY2017, and (iv) the increase in other receivables of HK\$2.5 million mainly resulting from the increase in staff advances for certain large-scale projects.

FINANCIAL INFORMATION

Gross amounts due from/to customers for contract work

Our revenue is recognised using the percentage of completion method. The stage of completion is established by the value of work we performed during the year. We are entitled to issue progress billing upon meeting an agreed project milestone based on the terms of the contracts entered into with clients. There is normally a timing difference, between the completion of contract work and the issuance of progress billing to our clients.

Contracts in progress are recorded at the amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented as gross amount due from customers for contract work. When progress billings exceed costs incurred plus recognised profits less recognised losses, the surplus is recorded as gross amount due to customers for contract works. As a result, the balance of contract in progress is determined case by case, and thus vary from period to period.

The following table sets forth our gross amounts due from/to customers for contract works as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from customers for contract works	88,368	93,472	110,371
Amounts due to customers for contract works	<u>(2,385)</u>	<u>(8,503)</u>	<u>(5,334)</u>
Contracts in progress	<u><u>85,983</u></u>	<u><u>84,969</u></u>	<u><u>105,037</u></u>

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses to date	583,678	675,640	768,655
Less: Progress billings	<u>(497,695)</u>	<u>(590,671)</u>	<u>(663,618)</u>
Contracts in progress	<u><u>85,983</u></u>	<u><u>84,969</u></u>	<u><u>105,037</u></u>

It was mainly because of the slowdown of real estate development affected by the tightened policy relating to investment in real estate market in the PRC in FY2015. Contracts in progress increased as at 31 December 2017, reflecting the timing difference between the completion of more contract works and the issuance of progress billings, which was in line with the increased revenue closing to the end of FY2017.

FINANCIAL INFORMATION

As at 31 May 2018, approximately HK\$96.6 million or 87.5% and HK\$50.6 million or 45.8% of amounts due from customers for contract works as at 31 December 2017 were certified by customers and subsequently billed respectively; and out of subsequent billed amounts, approximately HK\$42.9 million or 84.8% were settled as at 31 May 2018.

Trade and other payables and accrued charges

The following table sets forth the components of our trade and other payables and accrued charges as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	357	4,278	8,963
Accrued staff benefits	27,953	36,277	38,572
Deposits received from clients	42,785	26,279	32,537
Liability associated with			
long-term employee benefit	1,528	2,683	5,372
Other payables and accrued charges	2,336	5,705	5,745
Listing expense and issue costs payable	–	5,655	2,052
Receipt in advance	2,096	139	100
	<u>76,698</u>	<u>76,738</u>	<u>84,378</u>
Other payables and accrued charges			
Trade and other payables and accrued charges	<u><u>77,055</u></u>	<u><u>81,016</u></u>	<u><u>93,341</u></u>

(i) Trade payables

Our trade payables primarily consisted of balances related to our suppliers for purchases of FF&A and sub-contracting fees.

Our trade payables increased significantly and amounted to HK\$4.3 million and HK\$9.0 million as 31 December 2016 and 2017, respectively, which was mainly attributed to the acquisition of 80% interest in Gangyuan Design in September 2016. The increase of trade payables as at 31 December 2017 was mainly due to the higher sub-contracting fee incurred for FY2017 resulted from the acquisition of 80% interest in Gangyuan Design and we began the engagement of sub-contractors for certain ancillary services in 2017 for cost efficiency.

FINANCIAL INFORMATION

Our suppliers generally offer us no credit periods. The table below sets forth, as of the end of reporting periods indicated, the aging analysis of our trade payables (based on invoice date):

	As at 31 December		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 180 days	49	2,792	7,557
Over 180 days	308	1,486	1,406
	<u>357</u>	<u>4,278</u>	<u>8,963</u>

As at 31 May 2018, HK\$5.2 million or 57.9% of our trade payables outstanding as at 31 December 2017 had been settled.

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

	FY2015	FY2016	FY2017
Average trade payable turnover days ^(Note)	15	46	30

Note: Average trade payable turnover days is calculated using the arithmetic mean of the beginning and closing balances of trade payables for the relevant year divided by the sum of cost of goods sold and sub-contracting fees and multiplying by number of days in the relevant year.

We recorded average trade payable turnover days of 15 days, 46 days and 30 days for FY2015, FY2016 and FY2017, respectively. The increase in average trade payable turnover days for FY2016 was mainly attributable to the acquisition of 80% interest in Gangyuan Design in 2016, the suppliers of which offered longer credit periods for sub-contracting fee payables subject to related contracts. Our decrease in average trade payable turnover days for FY2017 was mainly attributable to our engagement of sub-contractors for ancillary services started in 2017 and our significant increase in purchase of FF&A, both of which had relatively shorter settlement periods.

(ii) Other payables and accrued charges

Our other payables and accrued charges mainly included accrued staff benefits, deposits received from clients, liability associated with long-term employee benefits, other payables and accrued charges, listing expense and issue costs payable, and receipt in advance. Accrued staff benefits mainly represented accrued expenses for salaries, allowance, and other benefits. Deposits received from clients were mainly related to deposits paid by our clients for purchase of

FINANCIAL INFORMATION

FF&A used in our Interior Decorating & Furnishing Services provided. Liability associated with long-term employee benefit represented payables attributable to the Loyalty Incentive Scheme and the Conversion Scheme adopted in November 2014. Other payables and accrued charges mainly included accrued operating expenses, other tax payables and others.

Other payables and accrued charges remained relatively stable at both HK\$76.7 million as at 31 December 2015 and 2016, respectively, which was mainly due to (i) the increase in accrued staff benefits of HK\$8.3 million primarily resulting from the increase in expenses for staff bonus for FY2016; and (ii) the increase in listing expense and issue costs payable of HK\$5.7 million related to expenses related to the Listing incurred in FY2016; which was partially offset by the decrease in deposits received from clients of HK\$16.5 million mainly attributable to the large-scale projects undertaken in FY2015.

Other payables and accrued charges increased by HK\$7.7 million or 10.0% from HK\$76.7 million as at 31 December 2016 to HK\$84.4 million as at 31 December 2017, which was mainly due to (i) the increase in deposits received from clients of HK\$6.3 million primarily resulting from the significant increase in revenue from Interior Decorating & Furnishing Services introduced in June 2015; (ii) the increase in accrued staff benefits of HK\$2.3 million primarily as a result of the acquisition of 80% interest in Gangyuan Design; which was partially offset by the decrease in listing expense and issue costs payables of HK\$3.6 million primarily as a result of the settlement during FY2017.

Amounts due from/to fellow subsidiaries and amount due to an intermediate holding company

Our amounts due from a fellow subsidiary recorded at HK\$11.9 million as at 31 December 2015. The amounts were mainly advances to our fellow subsidiary for financing purposes.

We recorded amount due to an intermediate holding company at HK\$12.2 million as at 31 December 2015 and amount due to fellow subsidiaries of HK\$8.2 million as at 31 December 2016.

All our amounts due from a fellow subsidiary/to fellow subsidiaries and amount due to an intermediate holding company were unsecured, of non-trade nature, non-interest bearing and repayable on demand. The amount due to an intermediate holding company/fellow subsidiaries have been fully settled during the Track Record Period.

FINANCIAL INFORMATION

Acquisition of a subsidiary

On 24 September 2016, a subsidiary of our Group, Steve Leung (Beijing) entered into a sale and purchase agreement with Gangyuan Decoration to acquire 80% equity interest in Gangyuan Design at an aggregated consideration of RMB10.2 million. The consideration was fully settled by us. It is expected that by acquiring Gangyuan Design, we would enter into low to mid-end interior design market in the PRC if suitable opportunities arise. Since the acquisition, Gangyuan Design became an indirect subsidiary of our Company thereafter.

Details of the Gangyuan Design Acquisition are set out in “History, Development and Reorganisation – Corporate Development – Our subsidiaries – Gangyuan Design” and note 38 to Accountants’ Report included as Appendix I to this prospectus.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditure for FY2015, FY2016 and FY2017 was HK\$12.1 million, HK\$2.3 million and HK\$3.5 million, respectively, which primarily related to purchase of office equipment and leasehold improvement. We had financed our capital expenditure primarily through cash flow generated from operating activities and bank borrowings.

Operating lease commitments

As at the end of each of the reporting years during the Track Record Period, we had commitments for future minimum lease payments in respect of our offices under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2015	2016	2017
	HK\$’000	HK\$’000	HK\$’000
Within one year	17,685	15,623	21,509
In the second to fifth year inclusive	7,108	16,820	38,218
	<u>24,793</u>	<u>32,443</u>	<u>59,727</u>

FINANCIAL INFORMATION

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

INDEBTEDNESS

Bank borrowings

The following table sets forth our bank borrowings as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(unaudited)</i> <i>HK\$'000</i>
Short-term bank borrowings	1,000	5,000	8,000	20,000
	<u>1,000</u>	<u>5,000</u>	<u>8,000</u>	<u>20,000</u>

The following table sets forth our weighted average effective interest rates for the periods indicated:

	FY2015	FY2016	FY2017	Four months ended
				30 April
				2018
Bank borrowings	4.0%	2.7%	4.2%	4.4%
	<u>4.0%</u>	<u>2.7%</u>	<u>4.2%</u>	<u>4.4%</u>

We mainly used proceeds from our bank borrowings to finance our working capital requirement and capital expenditure. All our bank borrowings during the Track Record Period were secured by the floating charge over all receivables of certain subsidiaries, and guaranteed by the immediate holding company and a non-controlling shareholder of our Company. All such guarantees provided will be released before Listing.

FINANCIAL INFORMATION

Our Directors confirm that there had not been any delay or default in repayment of borrowings or material non-compliance with the covenants or requirements relating to our borrowings that affect the renewal of such borrowings throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect that such covenants and requirements would materially restrict our Group's overall ability to undertake additional debt or equity financing necessary to carry out our business plans.

As at 30 April 2018, we had unutilised banking facilities for short term financing of HK\$126.1 million.

During the Track Record Period, we did not experience any delay or default in payment of trade and non-trade payables and of bank borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this prospectus, we did not have any plan for material external debt financing.

Contingent liabilities

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at Latest Practicable Date any 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 leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

For details of related party transactions, see note 34 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective during the Track Record Period.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated/as at each of the dates indicated:

	FY2015	FY2016	FY2017
Gross profit margin (%) ^(Note 1)	50.7	56.6	49.0
Net profit margin (%) ^(Note 2)	13.3	18.9	16.9
Return on equity (%) ^(Note 3)	24.0	38.1	37.9
Return on total assets (%) ^(Note 4)	14.9	22.3	21.8
Interest coverage ^(Note 5)	N/A ⁽¹⁰⁾	411.5	680.0
	As at 31 December		
	2015	2016	2017
Current ratio ^(Note 6)	2.0	2.3	2.0
Quick ratio ^(Note 7)	2.0	2.3	2.0
Gearing ratio (%) ^(Note 8)	0.7	2.8	3.9
Net debt to equity ratio ^(Note 9)	Net cash	Net cash	Net cash

Notes:

1. Gross profit margin for FY2015, FY2016 and FY2017 was calculated on gross profit divided by revenue for the respective period. See "Review of Historical Results of Operations" in this section for more details on our gross profit margins.
2. Net profit margin for FY2015, FY2016 and FY2017 was calculated on profit for the period divided by revenue for the respective period. See "Review of Historical Results of Operations" in this section for more details on our net profit margins.
3. Return on equity equals profit for the period divided by average balance of total equity of the relevant period and multiplied by 100%. Average balance is the arithmetic mean of the beginning and closing balances of the relevant period.
4. Return on total assets equals profit for the period divided by average balance of total assets of the relevant period and multiplied by 100%. Average balance is calculated as the arithmetic mean of the beginning and closing balance of the relevant period.
5. Interest coverage equals profit before interest and tax divided by interest expenses in the relevant period.
6. Current ratios is calculated as the total current assets divided by the total current liabilities.
7. Quick ratio is calculated as total current assets less inventories and divided by total current liabilities.
8. Gearing ratios is calculated as the total debt divided by total equity and multiplied by 100%.
9. Net debt to equity ratios is calculated as total borrowings net of bank balances and cash, and divided by total equity and multiplied by 100%.
10. Our Group did not incur any finance cost in the respective year ended.

FINANCIAL INFORMATION

Return on equity

Return on equity increased from 24.0% for FY2015 to 38.1% for FY2016, which was mainly due to the increase in profit for the year and the decrease in dividends distributed for FY2016. Our return on equity remained relatively stable at 38.1% and 37.9% for FY2016 and FY2017 respectively.

Return on total assets

Our return on total assets increased from 14.9% for FY2015 to 22.3% for FY2016, which was mainly due to (i) the increase in net profit of HK\$27.0 million for FY2016 mainly as a result of the recovery of the real estate market in the PRC and our expansion of business of Interior Decorating & Furnishing Services in FY2016; and (ii) the increase in bank balance and cash of HK\$62.9 million mainly because (a) our improved financial performance in FY2016 with the increased revenue and (b) net new bank borrowings raised of HK\$4.0 million during FY2016. Our return on total assets remained relatively stable at 22.3% and 21.8% for FY2016 and FY2017 respectively.

Interest coverage

We have only recorded interest coverage of 411.5 times and 680.0 times for FY2016 and FY2017, respectively, during the Track Record Period as we only incurred finance costs during FY2016 and FY2017.

Current ratio

Our current ratio remain relatively stable at 2.0, 2.3 and 2.0 as at 31 December 2015, 2016 and 2017, respectively.

Quick ratio

Our quick ratio remained stable at 2.0, 2.3 and 2.0 as at 31 December 2015, 2016 and 2017, respectively.

Gearing ratio

Our gearing ratio then increased to 2.8% as at 31 December 2016, primarily due to the increase of bank borrowings of HK\$4.0 million as at 31 December 2016. Our gearing ratio increased from 2.8% as at 31 December 2016 to 3.9% as at 31 December 2017, which was mainly due to the increase in total borrowings as at 31 December 2017.

Net debt to equity ratio

Our net debt to equity ratio were net cash position during the Track Record Period.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

(a) Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to bank deposits. Our Group currently does not have any interest rate hedging policy. Our Directors monitor the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No interest rate sensitivity is disclosed as in the opinion of our Directors, the interest rate sensitivity does not give additional value in view of insignificant exposure as at the end of each reporting year.

(b) Foreign currency risk

Our Group had foreign currency transactions, which exposed our Group to foreign currency risk. Since HK\$ is pegged to US\$, sensitivity analysis is not presented. The following table details our Group's sensitivity to a 5% increase and decrease in the respective functional currencies of group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to our key management personnel and represents our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis has been prepared based on outstanding foreign currency denominated monetary items and also inter-company balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the foreign currencies strengthen 5% against the relevant functional currencies. For a 5% weakening of the foreign currencies against the relevant functional currencies, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative. The sensitivity of our Group also includes currency risk exposure on inter-company balances.

	RMB impact			EUR impact			GBP impact			HK\$ impact		
	As at 31 December			As at 31 December			As at 31 December			As at 31 December		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group												
Increase (decrease) in post-tax profit for the year	2,339	2,057	3,082	(23)	23	63	16	6	6	24	27	27

FINANCIAL INFORMATION

(c) Credit risk

As at 31 December 2015, 2016 and 2017, the maximum exposure to credit risk by our Group which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to manage its credit risk, management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each debt on a collective and on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. An impairment loss of HK\$1.8 million, HK\$1.6 million and HK\$5.0 million in respect of the trade receivables was recognised by our Group for FY2015, FY2016 and FY2017, respectively.

Our Group has concentration of credit risk of the amount due from a fellow subsidiary as at 31 December 2015. Our management considered the credit risk exposure on the amount due from a fellow subsidiary to be low as the counterparty was with a strong financial position during FY2015.

Other than concentration of credit risk on amount due from a fellow subsidiary, our Group had no significant concentration of credit risk in respect of trade and other receivables, with exposure spread over a number of counterparties and clients during the Track Record Period.

The credit risk on liquid funds of our Group is limited because the counterparties are international or state-managed banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk

In the management of the liquidity risk, our Group monitors a level of cash and cash equivalents deemed adequate by our management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, dividends of HK\$36.6 million, HK\$17.4 million and HK\$100.0 million were declared in FY2015, FY2016 and FY2017, respectively. All such dividends had been fully settled as at the Latest Practicable Date. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as may be relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 31 December 2017, our Company had reserves of HK\$91.0 million available for distribution to our Shareholders.

FINANCIAL INFORMATION

LISTING EXPENSE

Listing expense represents professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Global Offering and the Listing. Assuming an Offer Price of HK\$0.88 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total listing expense is estimated to be approximately HK\$47.4 million, of which HK\$16.4 million is directly attributable to the issue of new Shares and to be accounted for as a deduction from the equity, and the remaining amount of HK\$31.0 million has been or will be reflected in our consolidated statements of profit or loss and other comprehensive income. Listing expense of HK\$9.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. We do not expect these expense to have a material impact on our results of operations as reflected in our consolidated statement of comprehensive income for FY2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to the owners of the Company prepared in accordance with Rule 4.29(1) of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as if the Global Offering had taken place on 31 December 2017 assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to the owners of the Company 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 our Group attributable to the owners of the Company as at 31 December 2017 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of our Group attributable to the owners of the Company as at 31 December 2017 as set out in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

FINANCIAL INFORMATION

	Audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 December 2017 HK\$'000 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering HK\$'000 <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company per Share HK\$ <i>(Note 3)</i>
Based on a minimum Offer Price of HK\$0.71 per Share	193,979	177,809	371,788	0.33
Based on a maximum Offer Price of HK\$1.05 per Share	193,979	271,794	465,773	0.41

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of our Company as at 31 December 2017 is based on the consolidated net assets of our Group attributable to owners of our Company of HK\$199,173,597 as at 31 December 2017 as extracted from the Accountants' Report as set out in Appendix I to this prospectus less goodwill and intangible assets of our Group attributable to the owners of our Company of HK\$1,290,494 and HK\$3,903,852, respectively as at 31 December 2017.
2. The estimated net proceeds from the Global Offering are based on 285,000,000 Shares to be issued at the minimum and maximum offer price range of HK\$0.71 and HK\$1.05 per share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by our Group subsequent to 31 December 2017 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and allotted pursuant to the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in "Share Capital – General Mandate to Issue and Repurchase Shares".
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company per Share is arrived at after adjustments referred to in note 1 above and on the basis of 1,140,000,000 Shares in total, taking into account that 1,000 Shares in issue as at 31 December 2017 and assuming that 1,139,999,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 31 December 2017. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and allotted pursuant to the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in "Share Capital – General Mandate to Issue and Repurchase Shares".
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2017.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm, after performing all the due diligence work which the Directors consider appropriate, that, save as disclosed in “Summary – Recent Developments”, since 31 December 2017 and up to the date of this prospectus, (i) there had not been any material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Business Strategies” for a detailed description of our future plans.

REASONS FOR LISTING

A significant portion of the net proceeds from the Listing shall be used in the recruitment of employees including interior designers and decorators and the corresponding hardware expansion to cater the increased headcount. Due to the nature of our business and services, human capital is our most important asset and is a key factor determining our development and long-term sustainability. Therefore, our Directors are of the view that, only when we have sufficient manpower to secure the additional business opportunities and undertake more projects, we would be able to leverage our competitive strengths which include our well-established brand and reputation to capture the market growth and further increase our market share. Accordingly, recruitment of additional talents is considered crucial and necessary to our overall expansion plan and sustainability of business.

While our bank balances and cash and unutilised banking facilities amounted to HK\$118.2 million and HK\$126.1 million, respectively, as at 30 April 2018, after considering our expected expenditure and expenses and the nature of the banking facilities, our Directors are of the view that they are insufficient to cover our funding needs and the net proceeds are necessary for the successful implementation of our future plan:

- available banking facilities – out of HK\$126.1 million of the unutilised banking facilities, (i) a standby letter of credit of RMB30.0 million (equivalent to HK\$37.1 million) (the “**PRC LC**”) was provided by a bank in the PRC and is required to be used as security for another bank loan of HK\$33.0 million provided by a bank in Hong Kong (the “**Bank Loan**”); and (ii) HK\$18.5 million were available only as trade loan and can only be used for trading purposes. As such, only HK\$70.5 million of the unutilised banking facilities can, in effect, be used to support our expansion plan;
- available bank balances – if we utilise the PRC LC, we are required to deposit the same amount (namely, HK\$37.1 million) from our bank balance as pledge for the PRC LC (the “**Pledged Deposit**”). In addition, as at 30 April 2018, our deposits received from clients of HK\$38.1 million were mainly deposits paid by our clients for purchase of FF&A in our Interior Decorating & Furnishing Services which cannot be used for our expansion plans. Therefore, only HK\$43.0 million out of the HK\$118.2 million of our bank balances can, in effect, be utilised for our upcoming operations and expansion plan;
- declaration and distribution of dividend – HK\$35.0 million from our bank balances and cash would be utilised to settle the dividends payable as of 30 April 2018 prior to the Listing as set out in this prospectus;

FUTURE PLANS AND USE OF PROCEEDS

- capital commitment – HK\$1.5 million from our bank balances and cash should be allocated to satisfy our capital commitment which mainly relates to leasehold improvement of our offices; and
- cash management – The net amount of our bank balance of HK\$118.2 million as at 30 April 2018 after (i) deducting the abovementioned dividends payable, capital commitments, Pledged Deposit and deposits received from clients, and (ii) adding the unutilised banking facilities of HK\$70.5 million, amounted to approximately HK\$77.0 million. Such amount is only sufficient to support our monthly operating cash outflow requirements for around two to three months. As at 31 December 2017, we had HK\$20.7 million of net trade receivables which was due more than 90 days after the expiry of the relevant credit period from third parties. If our clients delay in settlement of our bills, we may experience cash flow mismatch associated with the receipt of settlements from clients and payments to suppliers. In order to ensure the smooth running of our daily operations, we therefore adopt a prudent cash management approach in maintaining our available banking facilities and bank balances and cash at a level to satisfy approximately two to three months of our monthly average operating cash outflow requirements including expenditure in engaging suppliers and procuring FF&A and our other operating costs in case of any unforeseeable event. In particular, our existing level of capital resources may no longer be adequate as we continue to grow and expand our business. If we face net operating cash outflow and do not have sufficient working capital at that time, we may have to fund our operating costs by obtaining more bank borrowings on terms which may be unfavourable to us, resulting in additional finance costs and interest rate risk exposure and we still may not be able to meet our payment obligations including our trade payables and implement our expansion plans in a synchronised and timely manner. As an interior design service provider, we generally do not invest in any significant amount of fixed assets (such as land and buildings) to render our services. As such, we do not have any material amount of fixed assets available for security or pledge to support us to secure a higher amount of banking facilities for our business needs, or may also be subject to unfavourable terms and additional finance costs. During the Track Record Period, the average effective interest rate on our bank loans is approximately 3.97%, 2.72% and 4.24% per annum, respectively. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged in the future. In case of any tightening of credit control in Hong Kong and/or in the PRC, the interest rate for bank borrowings may be raised, further increasing our finance costs. In case of economic downturn and an increase in the interest rates for bank borrowings, given that our gearing ratio was 0.7%, 2.8% and 3.9% as at 31 December 2015, 2016 and 2017, respectively, we will be easily affected and it will be difficult for us to obtain more bank borrowings. Therefore, our Directors are of the view that it is in the interest of our Group to not utilise our internal resources and bank borrowings for funding our expansion plans.

FUTURE PLANS AND USE OF PROCEEDS

Other than the net proceeds from the Listing which will strengthen our capital base and provide funding to achieve our business strategies and future plans, our Directors also believe that the Listing will allow us to:

- generate employee incentive and commitment – employing, motivating and retaining qualified and talented interior designers and decorators has always been critical to our success as an Interior Design Services and Interior Decorating & Furnishing Services provider. Therefore, the Listing is considered to be one of the channels through which our employees would be able to share our success and achievement and be committed to the performance and continual success of our Group, in particular when we intend to adopt the Pre-IPO Share Option Scheme and the Employee Preferential Offering. To enhance the stability and the sense of belonging of our selected employees, we adopted “Three-Year Loyalty Incentive Scheme” and “Share-linked Bonus and Share Conversion Scheme” back in 2014. The Pre-IPO Share Option Scheme serves as a settlement plan to better reward and motivate the eligible employees of the Conversion Scheme, while the Employee Preferential Offering provides an additional way for employees to share and commit to the success of our Group;
- gain higher profile and visibility and strengthen our competitiveness – the Listing status would enhance our level of competitiveness among our competitors, which may in turn lead to the establishment and strengthening of business relationships with new and existing clients and expansion of market share. Our Listing status could strengthen our corporate image enabling us to reach out to new industry players and markets with less obstacles. Furthermore, with most of our five largest clients being listed companies, we believe we could be better positioned to negotiate and secure more favourable terms from our clients and suppliers;
- enabling investors to appraise our Group separately – Jangho Group principally operates the business of (i) the provision of fitting-out services in Hong Kong, Macau and the PRC, alteration and addition and construction works in Hong Kong and the PRC and the manufacturing, sourcing and distribution of interior decorative materials business; (ii) the provision of research, design, production and construction of curtain walls and related consultation services in the PRC; and (iii) the provision of healthcare and medical services in Australia and the PRC. Given the different business nature between our Group and Jangho Group, and our Group and Jangho Group are believed to have different growth paths and to adopt different business strategies, the spin-off is anticipated to provide investors with a clearer understanding of the respective operations and financial performance of our Group and Jangho Group and enable us to expand with more focused development and strategic planning. Investors will be able to appraise the

FUTURE PLANS AND USE OF PROCEEDS

business, prospects, strategies and risk exposure and return of our Group independently, and our Group will become an independent capital raising platform which will allow us to have better access to, and achieve a higher recognition in, the capital markets and thereby, accelerate our expansion and strive for better operational and financial performance; and

- create a long-term fund raising platform – the Listing will provide us with opportunities to raise funds through secondary fund raising exercises after the Listing and negotiate and secure more favourable terms from banks independently.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto, are estimated to be HK\$203.4 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$0.88 per Share, being the mid-point of the proposed Offer Price range of HK\$0.71 to HK\$1.05 per Share. We intend to use such net proceeds as follows:

- HK\$70.6 million (or 34.7% of our total estimated net proceeds) for strengthening our Interior Design Services and developing specialisation;
 - HK\$30.0 million (or 14.7% of our total estimated net proceeds) for recruiting 50 interior designers (with around four Design Directors) for the Hong Kong, Beijing and Shanghai offices;
 - HK\$16.4 million (or 8.1% of our total estimated net proceeds) for the leasing of Hong Kong Property B and refurbishment of Hong Kong Property A;
 - HK\$12.0 million (or 5.9% of our total estimated net proceeds) for the leasing of the PRC Property P as our office in Shanghai;
 - HK\$6.1 million (or 3.0% of our total estimated net proceeds) for setting up indoor mock-up facilities for specialised projects;
 - HK\$3.6 million (or 1.8% of our total estimated net proceeds) for the leasing and setting up of a new Beijing office;
 - HK\$2.5 million (or 1.2% of our total estimated net proceeds) for engagement of sub-consultants with expertise in specialised designs;

FUTURE PLANS AND USE OF PROCEEDS

- HK\$32.8 million (or 16.1% of our total estimated net proceeds) for further developing our Interior Decorating & Furnishing Services;
 - HK\$12.0 million (or 5.9% of our total estimated net proceeds) for procuring FF&A to build up our catalogue;
 - HK\$7.0 million (or 3.4% of our total estimated net proceeds) for increasing our marketing efforts on the promotion of Interior Decorating & Furnishing Services by setting up mock-ups for promotion purposes, advertisement placement, printing of marketing materials and organisation of promotion events;
 - HK\$6.1 million (or 3.0% of our total estimated net proceeds) for quality control enhancement by conducting market research, setting up indoor mock-ups and recruiting market researchers;
 - HK\$3.3 million (or 1.6% of our total estimated net proceeds) for recruiting around five interior decorators (with around one Art Director and one Associate Art Director);
 - HK\$2.9 million (or 1.4% of our total estimated net proceeds) for recruiting around five inventory and logistic management personnels;
 - HK\$1.5 million (or 0.8% of our total estimated net proceeds) for recruiting around two general warehouse personnels and one senior warehouse personnel;
- HK\$30.0 million (or 14.8% of our total estimated net proceeds) for pursuing growth through selective mergers and acquisitions;
- HK\$23.3 million (or 11.5% of our total estimated net proceeds) for improving our information technology systems;
 - HK\$11.8 million (or 5.8% of our total estimated net proceeds) for improving our enterprise resource planning system for overall operations;
 - HK\$11.5 million (or 5.7% of our total estimated net proceeds) for procuring hardware and renewing our software licences;
- HK\$20.0 million (or 9.8% of our total estimated net proceeds) for repaying existing bank borrowings ^(Note);
- HK\$11.6 million (or 5.7% of our total estimated net proceeds) for enhancing our brand recognition;

FUTURE PLANS AND USE OF PROCEEDS

- HK\$3.3 million (or 1.6% of our total estimated net proceeds) for further developing our Product Design Services;
 - HK\$2.5 million (or 1.2% of our total estimated net proceeds) for recruiting two product designers;
 - HK\$0.8 million (or 0.4% of our total estimated net proceeds) for conducting research on the latest skills, technics and trends on product design; and
- the balance to be used for working capital and other general corporate purposes.

Note: Repayment is to be made to our bank loans of HK\$20.0 million for financing our equity capital raising expenses, with a maturity period of one year from the date of first drawdown and bearing interest rate of 3.5% per annum over Hong Kong Inter-Bank Offer Rate or London Inter-Bank Offer Rate or the bank's cost of funds, whichever is higher. As at the Latest Practicable Date, drawdown of HK\$20.0 million had been made and utilised.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to HK\$250.4 million or decrease to HK\$156.5 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to HK\$241.0 million, assuming an Offer Price of HK\$0.88 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase or decrease to HK\$295.2 million or HK\$186.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

UNDERWRITING

HONG KONG UNDERWRITERS

Dongxing Securities (Hong Kong) Company Limited
China Securities (International) Corporate Finance Company Limited
China Merchants Securities (HK) Co., Limited
Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Thursday, 21 June 2018. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to apply to purchase or procure applications to purchase the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice in writing from the Joint Global Coordinators, at their sole and absolute discretion, for themselves and on behalf of the Hong Kong Underwriters, if at or prior to 8:00 a.m. on the Listing Date:

UNDERWRITING

- (a) there has come to the notice of the Joint Global Coordinators:
- (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters) which is material in the context of the Global Offering; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnities set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or
 - (vi) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the representations, warranties, agreements and undertakings given by the indemnifying parties in the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or
- (x) that a petition or an order 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 into 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 to take 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; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our Directors and senior management members of our Group as set out in “Directors and Senior Management”; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) in their absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion (having acted in good faith in exercising such discretion), conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

UNDERWRITING

- (xiii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) in their sole absolute opinion to be material; or

- (b) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

 - (ii) any material change or development involving a prospective material change, or any event or circumstance or series of events or circumstances likely to result in any material change or development involving a prospective material change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

UNDERWRITING

- (iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Global Offering (the “**Specific Jurisdictions**”); or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”; or
- (ix) any material litigation or claim of any third party being threatened or instigated against any member of our Group or any of our Directors; or
- (x) any of our Directors and senior management members of our Company as set out in “Directors and Senior Management” being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman, chief executive officer or chief financial officer of our Company or an executive Director vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

UNDERWRITING

- (xiii) save as disclosed in the Relevant Documents, a contravention by any member of our Group or any Director of the Listing Rules, the Companies Ordinance or any other laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares to be issued pursuant to the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or
- (xv) material non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or
- (xvi) other than with the prior approval of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

UNDERWRITING

- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any issue of shares or securities in circumstances prescribed by Rule 10.08 of the Listing Rules, we will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into our equity securities or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by our Controlling Shareholders, Mr. Steve Leung and Sino Panda

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (“**Parent Shares**”); or

UNDERWRITING

- (b) during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholder (as defined in the Listing Rules).

Pursuant to Rule 10.07(1) of the Listing Rules, each of Mr. Steve Leung and Sino Panda (together, the “**SL Covenantors**”) will be regarded as a controlling shareholder of our Company prior to Listing by virtue of their shareholding interest of 30.0% in our Company and therefore, is subject to the relevant lock-up requirement in respect of the Parent Shares during the First Six-month Period under Rule 10.07(1)(a) of the Listing Rules. However, since the shareholding interest of the SL Covenantors in our Company will decrease to below 30% immediately after completion of the Capitalisation Issue and the Global Offering, and cease to be the controlling shareholders of our Company, the relevant lock-up requirement in respect of the Parent Shares during the Second Six-month Period under Rule 10.07(1)(b) shall not be applicable.

Accordingly, each of the SL Covenantors has undertaken to us and to the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not during the First Six-month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares.

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders and SL Covenantors has undertaken to us and to the Stock Exchange that, during the First Six-month Period and/or the Second Six-month Period (where applicable), it/he/she will:

- (a) if it/he/she pledges or charges any of our securities beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us of such indications.

UNDERWRITING

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and SL Covenantors and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Joint Global Coordinators, the Hong Kong Underwriters and the Sole Sponsor that except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and issue of Shares pursuant to the Capitalisation Issue and the Pre-IPO Share Option Scheme and Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date, we will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant, agree to grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group or any interest therein, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other members of our Group as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other members of our Group, as applicable; or

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or securities of our Company, as applicable); or

- (c) enter into or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

- (d) offer to or agree to or contract to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or in cash or otherwise, or offer to or agree to or contract to do any of the foregoing or announce any intention to do so (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). We further agree that, (i) we will not, and will procure each other members of our Group not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the Second Six-Month Period; and (ii) in the event that we enter into the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transactions during the Second Six-month Period, we will take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Undertakings by Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu

Pursuant to the Hong Kong Underwriting Agreement, each of Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu has undertaken to our Company, the Sole Sponsor, the Joint Global Coordinators and the other Hong Kong Underwriters that, except pursuant to stock borrowing arrangements and in compliance with the Listing Rules, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent shall not be unreasonably withheld):

- (a) it/he/she will not, and will procure that its/his/her close associates, the relevant registered holder(s), any company directly or indirectly controlled by each of Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu and any nominee or trustee holding on trust for it/him/her (together, the “**Controlled Entities**”) will not, at any time during the period of commencing on the Listing Date and ending on the date which is the third anniversary of the Listing Date, directly or indirectly:
 - (i) offer, accept subscription for, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, agree to grant or purchase any option, warrant, contract or right to purchase, sell or subscribe for, make any share sale, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company or any interest therein, as applicable) beneficially owned by it/him/her directly or indirectly through its/his/her Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (iii) enter into or agree to enter into or effect, conditionally or unconditionally, or effect any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

UNDERWRITING

- (iv) offer to or agree to or contract to or announce any intention to enter into or effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified above is to be settled by delivery of Shares or such other securities of our Company, as applicable, or in cash or otherwise, or offer to or agree to or contract to do any of the foregoing or announce any intention to do so (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

See “Relationship with Controlling Shareholders and Founder – Undertakings”.

For the avoidance of doubt, the above restrictions do not prevent Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu from using the Shares beneficially owned by it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan).

Undertakings by the SL Covenantors

Each of the SL Covenantors has entered into the SL Deed of Non-Competition and Lock-up Undertaking in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) pursuant to which the SL Covenantors have provided, among others, certain lock-up undertakings in respect of the disposal of our Company’s Shares after the Listing. For further details relating to the lock-up undertakings of the SL Covenantors, see “Relationship with Controlling Shareholders and Founder – Relationship with our Founder – Deed of Non-Competition and Lock-up Undertaking from Mr. Steve Leung and Sino Panda – Lock-up Undertakings”.

Indemnity

We, Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu have agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, subject to the terms of the Hong Kong Underwriting Agreement.

UNDERWRITING

The International Placing

In connection with the International Placing, it is expected that we and the executive Directors will enter into the International Underwriting Agreement with, among others, the Joint Global Coordinators, the International Underwriters and the Sole Sponsor. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to offer up to an aggregate of 42,750,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Placing, if any.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Under the International Underwriting Agreement, we, Eagle Vision, Jangho Co., Jiangheyuan, Mr. Liu and Ms. Fu will agree to indemnify the International Underwriters and the Sole Sponsor against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters, subject to the terms of the International Underwriting Agreement.

Underwriting Commission and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 3% on the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed between the Joint Global Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters).

UNDERWRITING

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$0.88 per Share (being the mid-point of the indicative Offer Price range of HK\$0.71 to HK\$1.05 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the listing of the existing Shares and the Global Offering to be borne by us are estimated to amount to approximately HK\$47.4 million.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this prospectus, none of the Hong Kong Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. Dongxing Securities is the Sole Sponsor for the listing of the Shares on the Stock Exchange and Dongxing Securities, CSCI, CMS and Guotai Junan Securities are the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the Global Offering.

The Global Offering initially consists of:

- (i) the Hong Kong Public Offering of 28,500,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in “Hong Kong Public Offering” in this section below (including the Employee Preferential Offering of up to 2,850,000 Offer Shares as described in the paragraph “Employee Preferential Offering” below in this section); and
- (ii) the International Placing of an aggregate of 256,500,000 Offer Shares by our Company (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. 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 International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing. Such Eligible Employees will receive no preference as to entitlement or allocation in respect of such further applications for Hong Kong Offer Shares under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Placing respectively may be subject to adjustment and, in the case of the International Placing only, the Over-allotment Option as set out in “International Placing – Over-allotment Option” in this section below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. Details of the underwriting arrangements are summarised in “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Capitalisation Issue and the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Wednesday, 27 June 2018 and in any event, not later than Wednesday, 4 July 2018.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 4 July 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sldgroup.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares and Employee Reserved Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 4 July 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 5 July 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised. Investors who trade the Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 28,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the reallocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 2.5% of our Company's issued shares immediately after completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of Over-allotment Option and the options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme.

Of the 28,500,000 Shares initially being offered under the Hong Kong Public Offering, 2,850,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Hong Kong Public Offering and the Global Offering, respectively) are available for subscription by Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph "Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd Board Lots being allocated to pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

12,825,000 and 12,825,000, respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,825,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

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 Hong Kong Public Offering and subject to the allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering.

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment on the following basis:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 28,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to not more than 57,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 57,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 85,500,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 85,500,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 114,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
- (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 114,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 142,500,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (b) where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;
 - (ii) if the Hong Kong Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 28,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to not more than 57,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing is in the circumstances where (xx) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.71 per Offer Share) stated in this prospectus.

In addition, the Joint Global Coordinators may in their sole and absolute discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 57,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced. The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.05 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share. That means a total of HK\$3,181.75 is payable for every board lot of 3,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph "Price Determination of the Global Offering" below in this section, is less than the maximum price of HK\$1.05 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for the Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

EMPLOYEE PREFERENTIAL OFFERING

Up to 2,850,000 Employee Reserved Shares, representing 10% of the Offer Shares available under the Hong Kong Public Offering and 0.25% of the enlarged issued share capital of our Company upon completion of the Global Offering and the Capitalisation Issue, which are not subject to reallocation to the International Placing as described in the paragraph “Hong Kong Public Offering – Reallocation” above in this section, are available for subscription by Eligible Employees on a preferential basis.

The 2,850,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Forms will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares. 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 the identity, seniority, work performance or length of service of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 2,850,000 Employee Reserved Shares will be rejected. Allocation of Hong Kong 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 Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **White Form eIPO** Service Provider or giving **electronic application instruction** to HKSCC via CCASS.

As at the Latest Practicable Date, our Group had 418 Eligible Employees.

In case not all the 2,850,000 Employee Reserved Shares are subscribed for by Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Hong Kong Offer Shares for subscription by the public under the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 256,500,000 Shares (subject to adjustment and the Over-allotment Option), representing 90% of the total number of Offer Shares initially available under the Global Offering. Subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our enlarged issued shares immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme.

The International Placing is subject to the same conditions as stated in the paragraph “Conditions of the Global Offering” below in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) that exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 42,750,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover, among other things, over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged Shares immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 27 June 2018, and in any event not later than Wednesday, 4 July 2018, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK\$1.05 per Share and is expected to be not less than HK\$0.71 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sldgroup.com notices of the reduction in the number of Offer Shares being offered under the Global Offering

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, 4 July 2018 in the manner set out in “How to Apply for the Hong Kong Offer Shares and Employee Reserved Shares – II. Publication of Results”.

STABILISATION ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, activities aimed at reducing the market price are prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

China Securities (International) Corporate Finance Company Limited has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

compliance with all applicable laws and regulatory requirements. Any market purchase of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-allotment Option, namely 42,750,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. The Stabilising Manager, its affiliates or any person acting for it, may take all or any of the above stabilising action in Hong Kong during the stabilisation period.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilising Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;
- stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 42,750,000 additional Shares and cover such over allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 5 July 2018, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 5 July 2018, and will be traded in Board Lots of 3,000 Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

I. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares using a **PINK** Application Form. Eligible Employees may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering and the Employee Reserved Shares under the Employee Preferential Offering but may not apply for or indicate an interest for International Placing Shares under the International Placing.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong 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); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Joint Global Coordinators 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 **White Form eIPO** service for the Hong Kong Offer Shares.

Only Eligible Employees may apply for the Employee Reserved Shares with a **PINK** Application Form.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares (including any Employee Reserved Shares) if you are:

- an existing beneficial owner of Shares in our Company and/or any 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 Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong 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 HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Friday, 22 June 2018 and 12:00 noon on Wednesday, 27 June 2018 from:

- (i) any of the following offices of the Joint Global Coordinators:

Dongxing Securities (Hong Kong)

Company Limited

6805-6806A, 68/F, International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

China Securities (International) Corporate Finance Company Limited

18/F Two Exchange Square

8 Connaught Place

Central

Hong Kong

China Merchants Securities (HK) Co., Limited

48/F One Exchange Square

Central

Hong Kong

Guotai Junan Securities (Hong Kong) Limited

26/F-28/F, Low Block, Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

- (ii) any of the branches of the following receiving banks:

DBS Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

	Branch	Address
Kowloon	Kowloon Bay – SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street, Yaumatei
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 22 June 2018 until 12:00 noon on Wednesday, 27 June 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 Eligible Employees from our Company's head office at 30/F, Manhattan Place, No. 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours from 9:00 a.m. on Friday, 22 June 2018 until 12:00 noon on Tuesday, 26 June 2018. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from our Company's website at www.sldgroup.com and the Stock Exchange's website at www.hkexnews.hk.

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 "Ting Hong Nominees Limited – Steve Leung Design Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 22 June 2018	– 9:00 a.m. to 5:00 p.m.
Saturday, 23 June 2018	– 9:00 a.m. to 1:00 p.m.
Monday, 25 June 2018	– 9:00 a.m. to 5:00 p.m.
Tuesday, 26 June 2018	– 9:00 a.m. to 5:00 p.m.
Wednesday, 27 June 2018	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 27 June 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Your completed **PINK** Application Form, together with a cheque attached and marked payable to “Ting Hong Nominees Limited – Steve Leung Design Public Offer” for the payment must be returned to our Company’s head office at 30/F, Manhattan Place, No. 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong by 12:00 noon on Tuesday, 26 June 2018.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (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 Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible 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 Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 22 June 2018 until 11:30 a.m. on Wednesday, 27 June 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 27 June 2018 or such later time under “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service 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 **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.00 for each “STEVE LEUNG DESIGN GROUP LIMITED” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<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
I/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong 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 Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong 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 Hong Kong 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 Hong Kong 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 International 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong 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;
- 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 Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong 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

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering 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 Hong Kong Offer 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 the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- 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 3,000 Hong Kong Offer Shares. Instructions for more than 3,000 Hong Kong 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 Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 22 June 2018	– 9:00 a.m. to 8:30 p.m. ^(Note)
Saturday, 23 June 2018	– 8:00 a.m. to 1:00 noon ^(Note)
Monday, 25 June 2018	– 8:00 a.m. to 8:30 p.m. ^(Note)
Tuesday, 26 June 2018	– 8:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 27 June 2018	– 8:00 a.m. ^(Note) to 12:00 noon

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 Friday, 22 June 2018 until 12:00 noon on Wednesday, 27 June 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 Wednesday, 27 June 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED 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 Wednesday, 27 June 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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.

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications or suspected 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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

“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 HONG KONG 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, YELLOW** and **PINK** Application Form or through the **White Form eIPO** service in respect of a minimum of 3,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 3,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

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 “Structure and Conditions of the Global Offering – Price Determination of the Global Offering”.

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,

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 27 June 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 Wednesday, 27 June 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 “Expected Timetable”, an announcement will be made in such event.

II. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the Employee Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and the Employee Reserved Shares on Wednesday, 4 July 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and our Company’s website at **www.sldgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Employee Preferential Offering 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.sldgroup.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than Wednesday, 4 July 2018;
- from the designated results of allocations website at **www.iporeresults.com.hk** (alternatively: English **<https://www.eipo.com.hk/en/Allotment>**; Chinese **<https://www.eipo.com.hk/zh-hk/Allotment>**) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 4 July 2018 to 12:00 midnight on Tuesday, 10 July 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 4 July 2018 to Saturday, 7 July 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 4 July 2018 to Friday, 6 July 2018 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares (and, if applicable, the Employee Reserved Shares) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure and Conditions of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong 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 to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares (and the Employee Reserved Shares) is void:

The allotment of Hong Kong 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) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering; or
- you apply for more than 2,850,000 Employee Reserved Shares.

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\$1.05 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 4 July 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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 the Employee Reserved Shares allotted to you under the Employee Preferential Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

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** 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 Hong Kong Offer Shares and/or Employee Reserved 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 Hong Kong 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).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, 4 July 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to the Company on Wednesday, 4 July 2018 and the Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Thursday, 5 July 2018 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 4 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 4 July 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 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 4 July 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 4 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "II. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 4 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong 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 White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 4 July 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund system 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 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 4 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 Wednesday, 4 July 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 Hong Kong Public Offering in the manner specified in "II. Publication of Results" in this section on Wednesday, 4 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 4 July 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 Hong Kong 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 Hong Kong 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 Wednesday, 4 July 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account,

HOW TO APPLY FOR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

HKSCC will also make available to you an activity statement showing the number of Hong Kong 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 Wednesday, 4 July 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-48, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.

德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF STEVE LEUNG DESIGN GROUP LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Steve Leung Design Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-48, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017, the statements of financial position of the Company as at 31 December 2016 and 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-48 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 22 June 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 31 December 2016 and 31 December 2017, of the Company's financial position as at 31 December 2016 and 31 December 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid or declared by Steve Leung Designers Limited (“SLDL”), a subsidiary of the Company, in respect of the Track Record Period and the Company since its date of incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

22 June 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Group for the Track Record Period. The consolidated financial statements of the Group have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing (the "HKSAAs") issued by HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2015 HK\$	2016 HK\$	2017 HK\$
Revenue	6	249,865,121	318,608,202	434,822,320
Cost of sales		(123,227,932)	(138,176,373)	(221,757,358)
Gross profit		126,637,189	180,431,829	213,064,962
Other gains and losses	7	(6,136,483)	(6,575,903)	(1,888,400)
Other income	8	5,304,101	2,882,269	1,926,316
Administrative expenses		(80,711,455)	(84,459,324)	(102,805,455)
Listing expense		–	(12,553,796)	(8,826,017)
Finance cost	9	–	(193,762)	(149,213)
Profit before taxation		45,093,352	79,531,313	101,322,193
Income tax expense	10	(11,897,644)	(19,376,462)	(27,763,443)
Profit for the year	11	33,195,708	60,154,851	73,558,750
<i>Other comprehensive (expense) income that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations		(4,938,421)	(5,776,213)	10,717,991
Total comprehensive income for the year		28,257,287	54,378,638	84,276,741
Profit (loss) for the year attributable to:				
– Owners of the Company		34,700,997	60,007,433	72,251,199
– Non-controlling interests		(1,505,289)	147,418	1,307,551
		33,195,708	60,154,851	73,558,750
Total comprehensive income (expense) for the year attributable to:				
– Owners of the Company		29,762,576	54,371,996	82,694,015
– Non-controlling interests		(1,505,289)	6,642	1,582,726
		28,257,287	54,378,638	84,276,741
Earnings per share (expressed in Hong Kong cents)				
Basic:	15	4.06	7.02	8.45

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December		
		2015 HK\$	2016 HK\$	2017 HK\$
Non-current Assets				
Property, plant and equipment	16	17,814,002	13,407,710	10,940,659
Intangible assets	17	3,604,394	4,794,896	4,024,751
Goodwill	18	–	1,205,921	1,290,494
Deposits paid for acquisition of property, plant and equipment	22	–	–	6,659,585
Rental deposits	22	3,715,550	2,512,391	3,291,970
Deferred tax assets	19	4,659,227	6,319,704	8,293,086
		<u>29,793,173</u>	<u>28,240,622</u>	<u>34,500,545</u>
Current Assets				
Inventories	20	918,936	1,769,024	1,384,340
Trade receivables	21	22,588,436	38,066,714	49,043,628
Other receivables, deposits and prepayments	22	17,544,369	11,771,204	23,448,006
Amount due from a fellow subsidiary	23	11,936,000	–	–
Amounts due from customers for contract works	24	88,368,260	93,472,199	110,371,129
Tax recoverable		4,457,881	259,212	465,942
Pledged bank deposit	25	–	–	1,003,926
Bank balances and cash	25	63,419,447	126,336,535	154,909,634
		<u>209,233,329</u>	<u>271,674,888</u>	<u>340,626,605</u>
Current Liabilities				
Trade payables	26	357,308	4,278,309	8,963,187
Other payables and accrued charges	26	76,697,670	76,737,705	84,378,170
Dividend payable		–	–	35,000,000
Bank borrowings	27	1,000,000	5,000,000	8,000,000
Amount due to an intermediate holding company	28	12,190,000	–	–
Amounts due to fellow subsidiaries	28	–	8,164,613	–
Amounts due to customers for contract works	24	2,385,057	8,502,968	5,334,377
Tax liabilities		9,524,324	15,630,526	26,150,204
		<u>102,154,359</u>	<u>118,314,121</u>	<u>167,825,938</u>
Net Current Assets		<u>107,078,970</u>	<u>153,360,767</u>	<u>172,800,667</u>
Total Assets less Current Liabilities		<u>136,872,143</u>	<u>181,601,389</u>	<u>207,301,212</u>
Capital and Reserves				
Share capital	29	100	101	10
Reserves		136,790,393	173,970,393	199,173,587
Equity attributable to owners of the Company		136,790,493	173,970,494	199,173,597
Non-controlling interests		(1,720,164)	6,935,239	7,976,492
Total Equity		<u>135,070,329</u>	<u>180,905,733</u>	<u>207,150,089</u>
Non-current Liability				
Deferred tax liabilities	19	1,801,814	695,656	151,123
		<u>136,872,143</u>	<u>181,601,389</u>	<u>207,301,212</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At 31 December	
		2016	2017
		HK\$	HK\$
Non-current Assets			
Investments in subsidiaries	39	–	112,360,222
Current Assets			
Deferred issue costs		2,221,019	6,440,207
Dividend receivable		–	10,500,000
Bank balances and cash	25	–	46,400
		<u>2,221,019</u>	<u>16,986,607</u>
Current Liabilities			
Other payables and accrued charges	26	5,655,172	2,051,413
Dividend payable		–	10,500,000
Amount due to a subsidiary	39	9,119,642	25,832,900
		<u>14,774,814</u>	<u>38,384,313</u>
Net Current Liabilities		<u>(12,553,795)</u>	<u>(21,397,706)</u>
Total Assets Less Current Liabilities		<u>(12,553,795)</u>	<u>90,962,516</u>
Capital and Reserves			
Share capital	29	1	10
Reserves	30	<u>(12,553,796)</u>	<u>90,962,506</u>
Total Equity		<u>(12,553,795)</u>	<u>90,962,516</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital HK\$	Share premium HK\$ (Note (e))	Merger Reserve HK\$ (Note (f))	Statutory reserve HK\$ (Note (a))	Exchange reserve HK\$	Long-term employee benefit reserve HK\$ (Note (b))	Shareholder's contribution HK\$ (Note (c))	Retained profits HK\$	Total HK\$	Non-controlling interests HK\$	Total HK\$
At 1 January 2015	100	-	-	554,248	1,391,610	937,741	638,865	137,863,677	141,386,241	(214,875)	141,171,366
Profit (loss) for the year	-	-	-	-	-	-	-	34,700,997	34,700,997	(1,505,289)	33,195,708
Exchange difference arising on translation of foreign operations	-	-	-	-	(4,938,421)	-	-	-	(4,938,421)	-	(4,938,421)
Total comprehensive (expense) income for the year	-	-	-	-	(4,938,421)	-	-	34,700,997	29,762,576	(1,505,289)	28,257,287
Dividends recognised as distributions (note 14)	-	-	-	-	-	-	-	(36,600,000)	(36,600,000)	-	(36,600,000)
Shareholder's contribution to long-term employee benefit scheme	-	-	-	-	-	-	889,297	-	889,297	-	889,297
Recognition of equity settled long-term employee benefits	-	-	-	-	-	1,352,379	-	-	1,352,379	-	1,352,379
At 31 December 2015	100	-	-	554,248	(3,546,811)	2,290,120	1,528,162	135,964,674	136,790,493	(1,720,164)	135,070,329
Profit for the year	-	-	-	-	-	-	-	60,007,433	60,007,433	147,418	60,154,851
Exchange difference arising on translation of foreign operations	-	-	-	-	(5,635,437)	-	-	-	(5,635,437)	(140,776)	(5,776,213)
Total comprehensive (expense) income for the year	-	-	-	-	(5,635,437)	-	-	60,007,433	54,371,996	6,642	54,378,638
Transfer of reserves	-	-	-	108,224	-	-	-	(108,224)	-	-	-
Dividends recognised as distributions (note 14)	-	-	-	-	-	-	-	(17,400,000)	(17,400,000)	-	(17,400,000)
Issue of share of the Company (note 29)	1	-	-	-	-	-	-	-	1	-	1
Shareholder's contribution to long-term employee benefit scheme	-	-	-	-	-	-	1,155,230	-	1,155,230	-	1,155,230
Recognition of equity settled long-term employee benefits	-	-	-	-	-	1,540,644	-	-	1,540,644	-	1,540,644
Acquisition of additional interests in a subsidiary (Note (d))	-	-	-	-	-	-	-	(2,487,870)	(2,487,870)	2,487,830	(40)
Non-controlling interests arising from acquisition of a subsidiary (note 40)	-	-	-	-	-	-	-	-	-	6,169,073	6,169,073
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,142)	(8,142)
At 31 December 2016	101	-	-	662,472	(9,182,248)	3,830,764	2,683,392	175,976,013	173,970,494	6,935,239	180,905,733

	Attributable to owners of the Company										
	Share capital HK\$	Share premium HK\$ (Note (e))	Merger Reserve HK\$ (Note (f))	Statutory reserve HK\$ (Note (a))	Exchange reserve HK\$	Long-term employee benefit reserve HK\$ (Note (b))	Shareholder's contribution HK\$ (Note (c))	Retained profits HK\$	Total HK\$	Non-controlling interests HK\$	Total HK\$
Profit for the year	-	-	-	-	-	-	-	72,251,199	72,251,199	1,307,551	73,558,750
Exchange difference arising on translation of foreign operations	-	-	-	-	10,442,816	-	-	-	10,442,816	275,175	10,717,991
Total comprehensive income for the year	-	-	-	-	10,442,816	-	-	72,251,199	82,694,015	1,582,726	84,276,741
Transfer of reserves	-	-	-	2,288,212	-	-	-	(2,288,212)	-	-	-
Effect of group reorganisation	(91)	112,360,205	(112,360,114)	-	-	-	-	-	-	-	-
Dividend recognised as distributions (Note 14)	-	(16,698,542)	-	-	-	-	-	(83,301,458)	(100,000,000)	-	(100,000,000)
Shareholder's contribution	-	-	-	-	-	-	43,119,227	-	43,119,227	-	43,119,227
Reversal of shareholder's contribution	-	-	-	-	-	-	(2,683,392)	-	(2,683,392)	-	(2,683,392)
Recognition of equity settled long-term employee benefits	-	-	-	-	-	1,540,644	-	-	1,540,644	-	1,540,644
Acquisition of additional interest in a subsidiary (Note (g))	-	-	-	-	-	-	-	532,609	532,609	(541,473)	(8,864)
At 31 December 2017	10	95,661,663	(112,360,114)	2,950,684	1,260,568	5,371,408	43,119,227	163,170,151	199,173,597	7,976,492	207,150,089

Notes:

- (a) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the statutory reserve until the balance reaches 50% of their paid-in capital. The statutory reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.
- (b) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of "Share-linked Bonus and Share Conversion Scheme" (the "Conversion Scheme"), details of which are set out in note 37.
- (c) (i) As at 31 December 2015 and 31 December 2016, the amount represents the contributions for the long-term employee benefit scheme of a subsidiary of the Company in respect of "Three-Year Loyalty Incentive Scheme" (the "Loyalty Incentive Scheme"). The contributions have been reversed during the year ended 31 December 2017. Details are set out in note 37.
- (ii) As at 31 December 2017, the amount represents the contribution from a shareholder pursuant to the sale and purchase agreement of SLDL Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus. The seller (who is also the non-controlling shareholder of SLDL) had guaranteed a certain level of profit of SLDL for the three years ended 31 December 2016 and the Group will receive from the seller 50% of the shortfall of actual profit generated by SLDL with the guarantee profit as contribution. During the year ended 31 December 2017, an amount of HK\$43,119,227 was confirmed by shareholders of SLDL and the amount was received and recognised by the Group as a shareholder's contribution on 24 November 2017.
- (d) During the year ended 31 December 2016, the Group acquired 40% additional interest in Everyday Living Limited from two non-controlling shareholders for a consideration of HK\$40. The difference between the cash consideration paid and the carrying amount of the net liabilities attributable to the additional interest assumed from the non-controlling shareholders of HK\$2,487,870 is debited to retained profits.
- (e) Share premium represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the group reorganisation.
- (f) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the share capital of SLDL exchanged in connection with the group reorganisation.
- (g) During the year ended 31 December 2017, the Group acquired 1% additional interest in Steve Leung Interior Design (Beijing) Limited from a non-controlling shareholder of a subsidiary for a consideration of RMB7,000 (equivalent to HK\$8,864). The difference between the cash consideration paid and the carrying amount of the net assets attributable to the additional interest assumed from the non-controlling shareholder of HK\$532,609 is credited to retained profits.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December		
		2015 HK\$	2016 HK\$	2017 HK\$
OPERATING ACTIVITIES				
Profit before taxation		45,093,352	79,531,313	101,322,193
Adjustments for:				
Allowance for trade receivables, net		1,842,681	1,646,086	5,040,413
Amortisation of intangible assets		773,814	1,172,413	1,983,501
Depreciation of property, plant and equipment		9,097,029	6,490,709	5,927,386
Expense recognised in respect of Loyalty Incentive Scheme	37	1,778,594	2,310,460	3,003,226
Expense recognised in respect of Conversion Scheme	37	1,352,379	1,540,644	1,540,644
(Gain) loss on disposals of property, plant and equipment		(39,851)	777,017	31,543
Finance cost		–	193,762	149,213
Interest income		(411,357)	(345,904)	(585,193)
Operating cash flows before movements in working capital		59,486,641	93,316,500	118,412,926
(Increase) decrease in inventories		(581,456)	(850,088)	384,684
Decrease (increase) in trade receivables		7,522,760	(15,089,395)	(13,731,371)
(Increase) decrease in other receivables, deposits and prepayments		(10,832,310)	7,351,390	(11,658,894)
Increase in amounts due from customers for contract works		(29,602,389)	(2,040,731)	(10,279,373)
Increase in trade payables		33,713	1,973,591	4,128,736
Increase (decrease) in other payables and accrued charges		27,419,671	(1,465,240)	25,776
(Decrease) increase in amounts due to customers for contract works		(9,160,345)	6,554,069	(3,743,545)
Net cash generated from operations		44,286,285	89,750,096	83,538,939
Hong Kong Profits Tax paid		(2,548,132)	(1,948,106)	–
Hong Kong Profits Tax refunded		–	3,894,850	–
PRC Enterprise Income Tax paid		(6,837,623)	(15,485,135)	(19,516,611)
PRC Enterprise Income Tax refunded		–	1,307,052	–
Withholding tax paid		–	(949,303)	(1,655,355)
Interest paid		–	(193,762)	(149,213)
NET CASH FROM OPERATING ACTIVITIES		34,900,530	76,375,692	62,217,760
INVESTING ACTIVITIES				
Interest received		411,357	345,904	585,193
Additions to property, plant and equipment		(10,968,856)	(2,318,969)	(3,471,857)
Deposits paid for acquisition of property, plant and equipment		–	–	(6,659,585)
Proceeds from disposal of property, plant and equipment		3,653,893	15,854	359,147
Additions to intangible assets		(1,116,777)	(491,851)	(920,736)
(Advances to) repayments from fellow subsidiaries		(11,936,000)	12,086,999	–
Net cash inflow from acquisition of a subsidiary	40	–	7,128,472	–
Repayment to a fellow subsidiary on remaining consideration of acquisition of a subsidiary		–	–	(8,195,854)
Placement of pledged bank deposit		–	–	(1,003,926)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(19,956,383)	16,766,409	(19,307,618)
FINANCING ACTIVITIES				
Dividend paid		(36,600,000)	(17,408,142)	(65,000,000)
Issue of share of the Company		–	1	–
Contribution from a shareholder		–	–	43,119,227
Acquisition on additional interest in subsidiaries		–	(40)	(8,864)
New bank borrowings raised		1,000,000	28,097,966	52,500,000
Repayments of bank borrowings		–	(24,097,966)	(49,500,000)
Advance from (repayment to) an intermediate holding company		12,190,000	(12,190,000)	–
Repayment to a fellow subsidiary		–	(4,023,908)	(176,909)
NET CASH USED IN FINANCING ACTIVITIES		(23,410,000)	(29,622,089)	(19,066,546)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,465,853)	63,520,012	23,843,596
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		72,076,034	63,419,447	126,336,535
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(190,734)	(602,924)	4,729,503
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH		63,419,447	126,336,535	154,909,634

NOTES TO HISTORICAL FINANCIAL INFORMATION

I. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 December 2016. The Company's immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands ("BVI"), whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in PRC with its shares listed on the Shanghai Stock Exchange.

Pursuant to a corporate reorganisation, as more fully explained in the section headed "History, Development and Reorganisation" in the Prospectus ("Group Reorganisation"), the Company became the holding company of the Group on 21 April 2017.

The Group is principally engaged in the provision of interior design services, interior decorating and furnishing services and product design services, license arrangement of interior design services and product design services, and trading of interior decorative products.

The addresses of the registered office and the principal place of business of the Company are disclosed in the Corporate Information section in the Prospectus.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the conventions applicable for group reorganisations.

Pursuant to the Group Reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus, the Company and SLD Group Holdings Limited, a direct wholly-owned subsidiary of the Company, were interspersed between SLDL and its shareholders on 21 April 2017 by allotment and issue of shares in the Company. After that the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from this Group Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group which include the results, changes in equity and cash flows of the companies comprising the Group for the Track Record Period have been prepared as if the Company had always been the holding company of the companies now comprising the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where it is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2015 and 31 December 2016 present the carrying amounts of the assets and liabilities of the companies comprising the Group which had been incorporated or established on those dates and as if the Company had always been the holding company of SLDL as at those dates.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

New and amendments to HKFRSs and interpretations in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs and interpretations have been issued which are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²

HKFRS 17	Insurance Contracts ³
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹

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 Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for annual periods beginning on or after a date to be determined

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group is in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company do not anticipate that the application of HKFRS 9 in the future will have a material impact on the Group's future financial position and performance.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 establishes that revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Under HKFRS 15, revenue is either recognised over time or at a point in time while under HKAS 11 contract revenue is recognised by reference to the stage of completion. The directors of the Company expect that revenue will continue to be recognised as the contract progresses using input method, broadly similar to the method under HKAS 11.

The directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the Group's consolidated financial statements and the timing of revenue recognition in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group as a lessee has non-cancellable operating lease commitments of HK\$59,726,952 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of HK\$7,049,990 as at 31 December 2017 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amount of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not anticipate that the application of HKFRS 16 in the future will have a material impact in the Group's future financial position and performance.

Other than disclosed above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

The principal accounting policies are set out below:

Basis of consolidation

The Historical Financial Information incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Investments in subsidiaries

Investments in subsidiaries are carried in the Company's statements of financial position at cost less any identified impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable during the year.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, certain other receivables, dividend receivable, amount due from a fellow subsidiary, pledged bank deposit, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables and accrued charges, dividend payable, bank borrowings and amounts due to an intermediate holding company and fellow subsidiaries) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Service contracts

Where the outcome of a service contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from interior design services, interior decorating and furnishing services and product design services is recognised when the outcome of the contract can be measured reliably and the stage of completion at the end of the reporting period can be measured reliably. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed.

License fee income is recognised on an accrued basis in accordance with the substance of the relevant agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share-based payments arrangements

Where a shareholder transferred the equity instruments of a group entity to an employee in return for service provided to the Group, the transaction is accounted for as equity-settled share-based payment transaction of the Group. The fair value of services received is determined by reference to the fair value of the equity instruments at the grant date. It is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (i.e. long-term employee benefit reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

Stage of completion of design services provided under service contracts

The Group recognised income and expenses associated with design services provided under service contracts in accordance with HKAS 18 *Revenue*. The Group recognised service fee income under service contracts according to the stage of completion of individual contract, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in service contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses, the actual outcome of the contracts in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Allowances for doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. As at 31 December 2015, 31 December 2016, and 31 December 2017, the carrying amounts of trade receivables are HK\$22,588,436 (net of allowance for doubtful debts of HK\$6,495,836), HK\$38,066,714 (net of allowance for doubtful debts of HK\$7,603,688) and HK\$49,043,628 (net of allowance for doubtful debts of HK\$13,292,090) respectively.

6. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents service revenue from provision of interior design services, interior decorating and furnishing services and product design services, license fee revenue from interior design services and product design services, trading income from trading of interior decorative products.

An analysis of the Group's revenue for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Service revenue	242,921,709	304,750,284	377,341,574
License fee revenue	610,783	730,651	2,173,745
Trading income	6,332,629	13,127,267	55,307,001
	<u>249,865,121</u>	<u>318,608,202</u>	<u>434,822,320</u>

The Group is organised into operating business units according to the nature of the services provided or goods sold. The Group determines its operating segments based on these business units by reference to the nature of the services provided or goods sold, for the purpose of reporting to the chief operating decision makers, i.e. the executive directors of the Company.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Interior design services: Provision of interior design services and license arrangement for interior design services
2. Interior decorating and furnishing services: Provision of interior decorating and furnishing services and trading of interior decorative products
3. Product design services: Provision of product design service and license arrangement for product design services

Segment information about these reportable and operating segments is presented below.

Segment revenue and results

	Interior design services HK\$	Interior decorating and furnishing services HK\$	Product design services HK\$	Total HK\$
For the year ended 31 December 2015				
<i>Revenue</i>				
Segment revenue from external customers	<u>238,867,453</u>	<u>10,209,011</u>	<u>788,657</u>	<u>249,865,121</u>
<i>Results</i>				
Segment results	<u>45,635,639</u>	<u>1,351,823</u>	<u>470,667</u>	47,458,129
Unallocated expenses				(21,060)
Interest income				411,357
Depreciation of property, plant and equipment				(2,794,925)
Gain on disposals of property, plant and equipment				<u>39,851</u>
Profit before taxation				<u>45,093,352</u>

	Interior design services HK\$	Interior decorating and furnishing services HK\$	Product design services HK\$	Total HK\$
For the year ended 31 December 2016				
<i>Revenue</i>				
Segment revenue from external customers	<u>292,133,279</u>	<u>24,793,178</u>	<u>1,681,745</u>	<u>318,608,202</u>
<i>Results</i>				
Segment results	<u>88,779,136</u>	<u>4,901,448</u>	<u>1,508,911</u>	95,189,495
Unallocated expenses				(24,180)
Interest income				345,904
Depreciation of property, plant and equipment				(2,649,093)
Loss on disposals of property, plant and equipment				(777,017)
Listing expense				<u>(12,553,796)</u>
Profit before taxation				<u>79,531,313</u>

	Interior design services HK\$	Interior decorating and furnishing services HK\$	Product design services HK\$	Total HK\$
For the year ended 31 December 2017				
<i>Revenue</i>				
Segment revenue from external customers	<u>360,478,173</u>	<u>70,700,211</u>	<u>3,643,936</u>	<u>434,822,320</u>
<i>Results</i>				
Segment results	<u>103,241,776</u>	<u>6,882,632</u>	<u>1,862,095</u>	111,986,503
Unallocated income				69,240
Interest income				585,193
Depreciation of property, plant and equipment				(2,461,183)
Loss on disposals of property, plant and equipment				(31,543)
Listing expense				<u>(8,826,017)</u>
Profit before taxation				<u>101,322,193</u>

Note: There are no inter-segment revenue for the Track Record Period.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit earned by each segment without allocation of certain unallocated (expenses) income, interest income, certain depreciation of property, plant and equipment, gain (loss) on disposals of property, plant and equipment and listing expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision makers for the purposes of resource allocation and assessment of performance.

Other segment information

	Interior design services HK\$	Total HK\$
For the year ended 31 December 2015		
Amounts included in the measure of segment results:		
Additions of property, plant and equipment	8,396,189	8,396,189
Allowance for trade receivables, net	1,842,681	1,842,681
Amortisation of intangible assets	773,814	773,814
Depreciation of property, plant and equipment	6,302,104	6,302,104
	<u> </u>	<u> </u>

	Interior design services HK\$	Total HK\$
For the year ended 31 December 2016		
Amounts included in the measure of segment results:		
Additions of property, plant and equipment	1,372,514	1,372,514
Allowance for trade receivables, net	1,646,086	1,646,086
Amortisation of intangible assets	1,172,413	1,172,413
Depreciation of property, plant and equipment	3,841,616	3,841,616
	<u> </u>	<u> </u>

	Interior design services HK\$	Total HK\$
For the year ended 31 December 2017		
Amounts included in the measure of segment results:		
Additions of property, plant and equipment	2,030,264	2,030,264
Allowance for trade receivables, net	5,040,413	5,040,413
Amortisation of intangible assets	1,983,501	1,983,501
Depreciation of property, plant and equipment	3,466,203	3,466,203
	<u> </u>	<u> </u>

Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong and the PRC, which is determined based on the location of projects.

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
External revenue:			
Hong Kong	48,713,409	39,075,832	37,531,685
PRC	185,165,052	261,223,895	374,844,940
Other regions	15,986,660	18,308,475	22,445,695
	<u> </u>	<u> </u>	<u> </u>
	249,865,121	318,608,202	434,822,320
	<u> </u>	<u> </u>	<u> </u>

The Group's non-current assets are located in Hong Kong and the PRC, which is determined based on the geographical location of these assets.

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
PRC	10,729,223	11,400,526	8,808,209
Hong Kong	14,404,723	10,520,392	17,399,250
	<u>25,133,946</u>	<u>21,920,918</u>	<u>26,207,459</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

During the years ended 31 December 2015, 31 December 2016 and 31 December 2017, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

7. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Allowance for trade receivables, net	(1,842,681)	(1,646,086)	(5,040,413)
Exchange (loss) gain, net	(4,333,653)	(4,152,800)	3,183,556
Gain (loss) on disposals of property, plant and equipment	39,851	(777,017)	(31,543)
	<u>(6,136,483)</u>	<u>(6,575,903)</u>	<u>(1,888,400)</u>

8. OTHER INCOME

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Disbursement from customers	3,120,708	1,238,425	214,755
Grants received from local government	1,036,089	663,518	494,113
Interest income from bank deposits	411,357	345,904	585,193
Miscellaneous income	735,947	634,422	632,255
	<u>5,304,101</u>	<u>2,882,269</u>	<u>1,926,316</u>

9. FINANCE COST

Finance cost represents interest on bank borrowings.

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Current tax:			
Hong Kong Profits Tax	536,503	5,474,091	8,101,955
PRC Enterprise Income Tax	13,921,421	15,315,078	18,078,014
	<u>14,457,924</u>	<u>20,789,169</u>	<u>26,179,969</u>
Withholding tax	<u>–</u>	<u>949,303</u>	<u>1,655,355</u>
(Over)underprovision in prior years:			
Hong Kong Profits Tax	–	844,588	2,100,000
PRC Enterprise Income Tax	(677,936)	–	27,742
	<u>(677,936)</u>	<u>844,588</u>	<u>2,127,742</u>
Deferred taxation (note 19)	<u>(1,882,344)</u>	<u>(3,206,598)</u>	<u>(2,199,623)</u>
	<u>11,897,644</u>	<u>19,376,462</u>	<u>27,763,443</u>

Hong Kong Profit Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period.

The EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

The income tax expense for the Track Record Period can be reconciled from the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Profit before taxation	<u>45,093,352</u>	<u>79,531,313</u>	<u>101,322,193</u>
Tax at applicable tax rate of 16.5%	7,440,403	13,122,667	16,718,162
Tax effect of expenses not deductible for tax purpose	339,444	2,515,804	1,540,905
Tax effect of tax loss not recognised	181,005	6,595	–
Utilisation of tax losses previously not recognised	–	–	(41,910)
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	4,751,358	4,962,225	5,753,799
(Over)underprovision in prior years	(677,936)	844,588	2,127,742
Withholding tax for distributable earnings of the PRC subsidiaries	(435,656)	(110,483)	1,655,355
Others	<u>299,026</u>	<u>(1,964,934)</u>	<u>9,390</u>
Income tax expense for the year	<u>11,897,644</u>	<u>19,376,462</u>	<u>27,763,443</u>

II. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Amortisation of intangible assets			
– included in cost of sales	646,446	666,792	1,775,917
– included in administrative expenses	127,368	505,621	207,584
	<u>773,814</u>	<u>1,172,413</u>	<u>1,983,501</u>
Auditors' remunerations	235,980	612,432	583,367
Cost of inventories recognised as an expense	1,566,169	5,271,228	44,275,093
Depreciation of property, plant and equipment	9,097,029	6,490,709	5,927,386
Staff costs:			
Directors' emoluments (note 12)	<u>10,127,831</u>	<u>10,829,772</u>	<u>14,115,145</u>
Other staffs			
– basic salaries, allowances and other benefits	93,126,289	92,204,985	112,071,124
– discretionary bonus	20,145,603	21,275,382	22,419,144
– retirement benefits scheme contributions	12,902,683	13,914,811	18,251,778
– expense recognised in respect of Loyalty Incentive Scheme (note 37)	1,042,926	1,574,792	1,876,399
– expense recognised in respect of Conversion Scheme (note 37)	828,127	1,016,392	1,016,392
	<u>128,045,628</u>	<u>129,986,362</u>	<u>155,634,837</u>
	138,173,459	140,816,134	169,749,982
Operating lease rental paid in respect of rented properties	17,162,982	16,288,093	16,661,955
Operating lease rental paid in respect of rented office equipment	<u>974,956</u>	<u>858,108</u>	<u>1,380,708</u>

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The executive directors of the Company were appointed on 21 April 2017, and the non-executive directors and independent non-executive directors were appointed on 21 April 2017 and 11 June 2018 respectively. Details of the emoluments paid or payable to the directors of the Company (including emoluments for the services as employees of the Group prior to becoming directors of the Company) by the Group during the Track Record Period are as follows:

	Other emoluments						Total HK\$
	Directors' fees HK\$	Basic salaries allowances and other benefits HK\$	Discretionary bonus HK\$ (Note b)	Retirement benefits scheme contributions HK\$	Expense recognised in respect of Loyalty Incentive Scheme HK\$ (note 37)	Expense recognised in respect of Conversion Scheme HK\$ (note 37)	
For the year ended 31 December 2015							
Executive directors:							
Siu Man Hei (Note a)	–	2,689,322	2,648,074	128,400	735,668	524,252	6,725,716
Yip Kwok Hung, Kevin	–	912,000	276,000	45,600	–	–	1,233,600
Ding Chunya	–	–	–	–	–	–	–
Kau Wai Fun	–	1,378,397	722,018	68,100	–	–	2,168,515
Non-executive directors:							
Xu Xingli	–	–	–	–	–	–	–
Xie Jianyu	–	–	–	–	–	–	–
Independent non-executive directors:							
Tsang Ho Ka Eugene	–	–	–	–	–	–	–
Liu Yi	–	–	–	–	–	–	–
Sun Yansheng	–	–	–	–	–	–	–
	–	4,979,719	3,646,092	242,100	735,668	524,252	10,127,831

	Other emoluments						Total HK\$
	Directors' fees HK\$	Basic salaries allowances and other benefits HK\$	Discretionary bonus HK\$ (Note b)	Retirement benefits scheme contributions HK\$	Expense recognised in respect of Loyalty Incentive Scheme HK\$ (note 37)	Expense recognised in respect of Conversion Scheme HK\$ (note 37)	
For the year ended 31 December 2016							
Executive directors:							
Siu Man Hei (Note a)	–	2,432,564	3,077,192	115,560	735,668	524,252	6,885,236
Yip Kwok Hung, Kevin	–	931,889	396,000	45,600	–	–	1,373,489
Ding Chunya	–	–	586,250	19,135	–	–	605,385
Kau Wai Fun	–	1,271,511	632,861	61,290	–	–	1,965,662
Non-executive directors:							
Xu Xingli	–	–	–	–	–	–	–
Xie Jianyu	–	–	–	–	–	–	–
Independent non-executive directors:							
Tsang Ho Ka Eugene	–	–	–	–	–	–	–
Liu Yi	–	–	–	–	–	–	–
Sun Yansheng	–	–	–	–	–	–	–
	–	4,635,964	4,692,303	241,585	735,668	524,252	10,829,772

	Other emoluments						Total HK\$
	Directors' fees HK\$	Basic salaries allowances and other benefits HK\$	Discretionary bonus HK\$ (Note b)	Retirement benefits scheme contributions HK\$	Expense recognised in respect of Loyalty Incentive Scheme HK\$ (note 37)	Expense recognised in respect of Conversion Scheme HK\$ (note 37)	
For the year ended 31 December 2017							
Executive directors:							
Siu Man Hei (Note a)	–	5,409,587	2,918,610	168,000	1,126,827	524,252	10,147,276
Yip Kwok Hung, Kevin	–	1,140,000	515,000	57,000	–	–	1,712,000
Ding Chunya	–	313,201	377,950	75,129	–	–	766,280
Kau Wai Fun	–	1,258,406	169,893	61,290	–	–	1,489,589
Non-executive directors:							
Xu Xingli	–	–	–	–	–	–	–
Xie Jianyu	–	–	–	–	–	–	–
Independent non-executive directors:							
Tsang Ho Ka Eugene	–	–	–	–	–	–	–
Liu Yi	–	–	–	–	–	–	–
Sun Yansheng	–	–	–	–	–	–	–
	–	8,121,194	3,981,453	361,419	1,126,827	524,252	14,115,145

Notes:

- (a) Siu Man Hei is the chief executive officer of the Group.
- (b) Certain executive directors of the Company are entitled to discretionary bonuses which are determined with reference to the performance of the Group.

There was no arrangement under which a director waived or agreed to waive any emoluments for the Track Record Period.

13. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two were directors of the Company for the years ended 31 December 2015 and 31 December 2016 and one was director of the Company for the year ended 31 December 2017. Their emoluments are included in note 12 above. The emoluments of the remaining three non-director individuals for the years ended 31 December 2015 and 31 December 2016 and the remaining four non-director individuals for the year ended 31 December 2017 are as follows:

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Basic salaries, allowances and other benefits	7,021,219	6,879,369	11,452,016
Discretionary bonus (Note)	2,246,457	3,788,987	5,872,306
Retirement benefit scheme contributions	312,900	295,110	456,000
Expense recognised in respect of Loyalty Incentive Scheme (note 37)	161,528	172,816	513,481
Expense recognised in respect of Conversion Scheme (note 37)	111,469	115,211	248,570
	9,853,573	11,251,493	18,542,373

Note: Certain non-director individuals of the Company are entitled to discretionary bonuses which are determined with reference to the performance of the Group.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2015	2016	2017
	No. of employees	No. of employees	No. of employees
HK\$1,500,001 to HK\$2,000,000	–	1	–
HK\$2,000,001 to HK\$2,500,000	2	1	2
HK\$3,500,001 to HK\$4,000,000	–	–	1
HK\$5,500,001 to HK\$6,000,000	1	–	–
HK\$7,000,001 to HK\$7,500,000	–	1	–
HK\$10,000,001 to HK\$10,500,000	–	–	1
	<u>3</u>	<u>3</u>	<u>4</u>

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

14. DIVIDEND

	Year ended 31 December		
	2015	2016	2017
	HK\$	HK\$	HK\$
Dividends recognised as distributions during the Track Record Period			
SLDL (Note)	36,600,000	17,400,000	70,000,000
The Company – 2017 interim dividend HK\$30,000 per share	–	–	30,000,000
	<u>36,600,000</u>	<u>17,400,000</u>	<u>100,000,000</u>

Included in the dividend payable in the consolidated statement of financial position as at 31 December 2017 is an amount of HK\$24,500,000 payable by SLDL to the shareholders on the register of members of SLDL on 31 December 2016 and an amount of HK\$10,500,000 payable by the Company to its shareholders.

Note: The rate of dividend and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the Track Record Period are based on the profit for the year attributable to owners of the Company and 855,000,000 shares in issue during the Track Record Period on assumption that the Group Reorganisation and the capitalisation issue as explained in the sections headed "History, Development and Reorganisation" and "Share Capital" in the Prospectus had been effective on 1 January 2015.

No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary shares in issue.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Motor vehicles and yacht HK\$	Total HK\$
At 1 January 2015	9,498,199	2,311,249	24,311,348	23,431,155	59,551,951
Additions	5,543,173	820,785	5,755,863	–	12,119,821
Disposals	–	(25,380)	(286,942)	(19,041,691)	(19,354,013)
Exchange realignments	(339,016)	–	(658,854)	(31,772)	(1,029,642)
At 31 December 2015	14,702,356	3,106,654	29,121,415	4,357,692	51,288,117
Acquisition of a subsidiary (note 40)	–	–	731,888	181,283	913,171
Additions	228,459	36,880	2,053,630	–	2,318,969
Disposals	(996,816)	(1,795)	(432,686)	–	(1,431,297)
Exchange realignments	(339,503)	–	(862,906)	(40,399)	(1,242,808)
At 31 December 2016	13,594,496	3,141,739	30,611,341	4,498,576	51,846,152
Additions	668,996	60,120	2,742,741	–	3,471,857
Disposals	–	(1,600)	(1,270,285)	(179,255)	(1,451,140)
Exchange realignments	364,764	–	947,612	39,571	1,351,947
At 31 December 2017	14,628,256	3,200,259	33,031,409	4,358,892	55,218,816
At 1 January 2015	8,069,534	1,970,217	16,645,043	14,142,597	40,827,391
Provided for the year	1,674,259	183,268	3,497,758	3,741,744	9,097,029
Eliminated upon disposals	–	(7,018)	(217,710)	(15,515,243)	(15,739,971)
Exchange realignments	(214,194)	–	(482,055)	(14,085)	(710,334)
At 31 December 2015	9,529,599	2,146,467	19,443,036	2,355,013	33,474,115
Provided for the year	1,750,705	303,605	3,531,426	904,973	6,490,709
Eliminated upon disposals	(319,458)	(1,795)	(317,173)	–	(638,426)
Exchange realignments	(242,715)	–	(624,979)	(20,262)	(887,956)
At 31 December 2016	10,718,131	2,448,277	22,032,310	3,239,724	38,438,442
Provided for the year	1,211,402	307,304	3,526,436	882,244	5,927,386
Eliminated upon disposals	–	(1,600)	(1,031,818)	(27,032)	(1,060,450)
Exchange realignments	281,760	–	664,672	26,347	972,779
At 31 December 2017	12,211,293	2,753,981	25,191,600	4,121,283	44,278,157
CARRYING VALUES					
At 31 December 2015	<u>5,172,757</u>	<u>960,187</u>	<u>9,678,379</u>	<u>2,002,679</u>	<u>17,814,002</u>
At 31 December 2016	<u>2,876,365</u>	<u>693,462</u>	<u>8,579,031</u>	<u>1,258,852</u>	<u>13,407,710</u>
At 31 December 2017	<u>2,416,963</u>	<u>446,278</u>	<u>7,839,809</u>	<u>237,609</u>	<u>10,940,659</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the remaining term of leases or 25%
Furniture and fixtures	25%
Office equipment	18% to 47.5%
Motor vehicles and yacht	20% to 25%

17. INTANGIBLE ASSETS

	Software HK\$ (Note (a))	Backlog contracts HK\$ (Note (b))	License HK\$ (Note (c))	Total HK\$
COST				
At 1 January 2015	5,986,670	–	–	5,986,670
Additions	1,116,777	–	–	1,116,777
Exchange realignments	(341,377)	–	–	(341,377)
At 31 December 2015	6,762,070	–	–	6,762,070
Arising on acquisition of a subsidiary (note 40)	55,656	1,173,064	901,790	2,130,510
Additions	491,851	–	–	491,851
Exchange realignments	(435,390)	(44,617)	(34,300)	(514,307)
At 31 December 2016	6,874,187	1,128,447	867,490	8,870,124
Additions	920,736	–	–	920,736
Exchange realignments	519,916	79,140	60,839	659,895
At 31 December 2017	8,314,839	1,207,587	928,329	10,450,755
AMORTISATION				
At 1 January 2015	2,541,941	–	–	2,541,941
Provided for the year	773,814	–	–	773,814
Exchange realignments	(158,079)	–	–	(158,079)
At 31 December 2015	3,157,676	–	–	3,157,676
Provided for the year	813,043	295,891	63,479	1,172,413
Exchange realignments	(238,126)	(13,779)	(2,956)	(254,861)
At 31 December 2016	3,732,593	282,112	60,523	4,075,228
Provided for the year	864,697	869,957	248,847	1,983,501
Exchange realignments	297,291	55,518	14,466	367,275
At 31 December 2017	4,894,581	1,207,587	323,836	6,426,004
CARRYING VALUES				
At 31 December 2015	3,604,394	–	–	3,604,394
At 31 December 2016	3,141,594	846,335	806,967	4,794,896
At 31 December 2017	3,420,258	–	604,493	4,024,751

Notes:

- The software has finite useful lives and is amortised on a straight-line basis at 20% per annum.
- The backlog contracts were purchased as part of a business combination during the year ended 31 December 2016 (see note 40 for details). These represent backlog orders from ongoing design projects. The amortisation period is approximately 1 year based on the expected completion date of the backlogs.
- The license represents Architect Design and Design Grade A License (建築裝飾工程設計專項甲級) which were purchased as part of a business combination during the year ended 31 December 2016 (see note 40 for details). The license has finite useful lives and is amortised on a straight-line basis for approximately 3.5 years.

18. GOODWILL

	HK\$
At 1 January 2015 and 31 December 2015	–
Arising on acquisition of a subsidiary (note 40)	1,253,601
Exchange realignments	(47,680)
	<hr/>
At 31 December 2016	1,205,921
Exchange realignments	84,573
	<hr/>
At 31 December 2017	<u>1,290,494</u>

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit, representing 北京港源建築裝飾設計研究院有限公司 acquired by the Group during the year ended 31 December 2016 (note 40), in the interior design services segment.

During the year ended 31 December 2016 and 31 December 2017, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 13.47% and 13.47% respectively, that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The cash flows beyond the five-year period are extrapolated using a 3% and 3% growth rate respectively. The growth rates are based on industry growth forecasts. Changes in gross margin are based on past practices and expectations of future changes in the market. The management believes that reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit containing the goodwill to exceed its recoverable amount.

19. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement during the Track Record Period:

	Accelerated tax depreciation	Allowance for doubtful debts	Accrued bonus	Accrued contract expenses	Provision for amounts due from customers for contract works	Withholding tax arising from PRC subsidiaries	Tax losses	Fair value adjustment on business acquisition	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2015	1,218,461	(1,225,371)	(2,607,892)	(83,326)	–	1,514,514	–	–	(1,183,614)
(Credit) charge to profit or loss	(495,505)	(393,108)	271,956	–	–	(435,656)	(830,031)	–	(1,882,344)
Exchange realignments	–	77,082	127,392	4,071	–	–	–	–	208,545
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	722,956	(1,541,397)	(2,208,544)	(79,255)	–	1,078,858	(830,031)	–	(2,857,413)
Arising from acquisition of a subsidiary (note 40)	–	(262,571)	–	–	–	–	–	518,714	256,143
Credit to profit or loss	(440,627)	(21,691)	–	–	(612,948)	(1,059,786)	(985,887)	(85,659)	(3,206,598)
Exchange realignments	–	77,022	140,207	5,391	–	(19,072)	–	(19,728)	183,820
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	282,329	(1,748,637)	(2,068,337)	(73,864)	(612,948)	–	(1,815,918)	413,327	(5,624,048)
(Credit) charge to profit or loss	(441,434)	(1,531,797)	–	–	–	–	53,310	(279,702)	(2,199,623)
Exchange realignments	–	(185,015)	(145,204)	(5,571)	–	–	–	17,498	(318,292)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	<u>(159,105)</u>	<u>(3,465,449)</u>	<u>(2,213,541)</u>	<u>(79,435)</u>	<u>(612,948)</u>	<u>–</u>	<u>(1,762,608)</u>	<u>151,123</u>	<u>(8,141,963)</u>

For the purpose of presentation in the consolidated statements of financial position, the following is the analysis of the deferred taxation:

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Deferred tax assets	(4,659,227)	(6,319,704)	(8,293,086)
Deferred tax liabilities	1,801,814	695,656	151,123
	<u>(2,857,413)</u>	<u>(5,624,048)</u>	<u>(8,141,963)</u>

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. Certain deferred tax liabilities were related to such undistributed profits retained by the PRC subsidiaries amounted to HK\$21,577,000, nil and nil as at 31 December 2015, 31 December 2016 and 31 December 2017 respectively. As at 31 December 2016 and 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised are HK\$34,500,000 and HK\$49,506,000 respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2015, 31 December 2016 and 31 December 2017, the Group had unused estimated tax losses of HK\$6,127,000, HK\$12,143,000 and HK\$11,565,000 available for offset against future profits respectively. A deferred tax asset has been recognised in respect of such tax losses of HK\$5,030,000, HK\$11,006,000 and HK\$10,682,000 respectively. No deferred tax asset has been recognised on the remaining tax losses of HK\$1,097,000, HK\$1,137,000 and HK\$883,000 respectively due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

20. INVENTORIES

Inventories represent finished goods for trading purpose.

21. TRADE RECEIVABLES

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Trade receivables	29,084,272	45,670,402	62,335,718
Less: allowance for doubtful debts	(6,495,836)	(7,603,688)	(13,292,090)
	<u>22,588,436</u>	<u>38,066,714</u>	<u>49,043,628</u>

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of each reporting period.

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
0 to 30 days	5,180,707	17,256,100	14,512,609
31 to 90 days	9,739,354	13,143,502	13,865,918
91 to 180 days	739,352	3,022,287	8,937,016
Over 180 days	6,929,023	4,644,825	11,728,085
	<u>22,588,436</u>	<u>38,066,714</u>	<u>49,043,628</u>

There is no credit period given on billing for its interior design services, interior decorating and furnishing services and product design service, license arrangement of interior design services and product design services, and trading of interior decorative products.

As at 31 December 2015, 31 December 2016 and 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$22,588,436, HK\$38,066,714 and HK\$49,043,628 respectively, which are past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss since the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days.

Ageing of trade receivables which are past due but not impaired

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Overdue:			
0 to 30 days	5,180,707	17,256,100	14,512,609
31 to 90 days	9,739,354	13,143,502	13,865,918
91 to 180 days	739,352	3,022,287	8,937,016
Over 180 days	6,929,023	4,644,825	11,728,085
	<u>22,588,436</u>	<u>38,066,714</u>	<u>49,043,628</u>

Movement in the allowance for doubtful debts

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
At beginning of the year	4,961,489	6,495,836	7,603,688
Allowance recognised in profit or loss	1,842,681	1,646,086	7,186,099
Amounts written off as uncollectible	–	(145,662)	(69,209)
Impairment losses reversed	–	–	(2,145,686)
Exchange realignments	(308,334)	(392,572)	717,198
	<u>6,495,836</u>	<u>7,603,688</u>	<u>13,292,090</u>

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in severe financial difficulties or overdue for a long period time. The Group has made full allowance on these receivables and considered that they are generally not recoverable.

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Materials purchased and to be reimbursed by customers	8,003,181	–	–
Other receivables	4,277,577	4,813,563	7,312,072
Prepayments of expenses	4,370,176	2,627,961	5,040,809
Deferred issue costs	–	2,221,019	6,440,207
Rental deposits			
– Paid to a related company	366,430	–	–
– Others	4,108,040	4,095,632	7,049,990
	4,474,470	4,095,632	7,049,990
Deposits paid for acquisition of property, plant and equipment	–	–	6,659,585
Other deposits	134,515	525,420	896,898
	<u>21,259,919</u>	<u>14,283,595</u>	<u>33,399,561</u>
Analysed as:			
Current	17,544,369	11,771,204	23,448,006
Non-current – Deposits paid for acquisition of property, plant and equipment	–	–	6,659,585
Non-current – Rental deposits	3,715,550	2,512,391	3,291,970
	<u>21,259,919</u>	<u>14,283,595</u>	<u>33,399,561</u>

23. AMOUNT DUE FROM A FELLOW SUBSIDIARY

At 31 December 2015, the amount was of non-trade nature, unsecured, non-interest bearing and repayable on demand, which was fully settled during year ended 31 December 2016.

24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	2015	At 31 December	
	<i>HK\$</i>	2016	2017
		<i>HK\$</i>	<i>HK\$</i>
Contracts in progress at the end of the reporting period:			
Contract costs incurred plus recognised profits less recognised losses to date	583,678,440	675,640,253	768,654,665
Less: Progress billings	(497,695,237)	(590,671,022)	(663,617,913)
	<u>85,983,203</u>	<u>84,969,231</u>	<u>105,036,752</u>
Analysed for reporting purpose as:			
Amounts due from customers for contract works	88,368,260	93,472,199	110,371,129
Amounts due to customers for contract works	(2,385,057)	(8,502,968)	(5,334,377)
	<u>85,983,203</u>	<u>84,969,231</u>	<u>105,036,752</u>

At 31 December 2015, 31 December 2016 and 31 December 2017, there was no retention monies held by customers for contract work performed. At 31 December 2015, 31 December 2016 and 31 December 2017, advances received from customers for contract work amounted to HK\$2,096,005, HK\$139,256 and HK\$100,256 respectively, which was included in other payables and accrued charges in note 26.

25. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSIT

Cash at banks earns interest at market interest rates. Short term deposits during the year are placed for periods ranging from one day to one month and earn interest at respective short term deposits rates.

Pledged bank deposit as at 31 December 2017 is pledged to secure the bank borrowings of the Group.

As at 31 December 2015, 31 December 2016 and 31 December 2017, the bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to HK\$39,631,711, HK\$84,384,704 and HK\$124,954,553 respectively. The conversion of RMB denominated bank balances and cash into foreign currencies and the remittance of such foreign currencies denominated balances out of PRC are subject to the relevant rules and regulations of foreign exchange control by the government authorities concerned.

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2015	At 31 December	
	<i>HK\$</i>	2016	2017
		<i>HK\$</i>	<i>HK\$</i>
0 to 180 days	49,520	2,791,975	7,557,098
Over 180 days	307,788	1,486,334	1,406,089
	<u>357,308</u>	<u>4,278,309</u>	<u>8,963,187</u>

The following is the analysis of other payables and accrued charges at the end of each reporting period:

	2015 HK\$	At 31 December 2016 HK\$	2017 HK\$
Accrued staff benefits	27,952,503	36,276,515	38,572,140
Deposits received from customers	42,785,363	26,279,073	32,536,953
Liability associated with long-term employee benefit	1,528,162	2,683,392	5,372,370
Other payables and accrued charges	2,335,637	5,704,297	5,745,038
Listing expense and issue costs payable	–	5,655,172	2,051,413
Receipts in advance	2,096,005	139,256	100,256
	<u>76,697,670</u>	<u>76,737,705</u>	<u>84,378,170</u>

As at 31 December 2016 and 31 December 2017, listing expense and issue costs payable of HK\$5,655,172 and HK\$2,051,413 respectively are included in the Company's other payables and accrued charges.

27. BANK BORROWINGS

	2015 HK\$	At 31 December 2016 HK\$	2017 HK\$
Revolving loans – secured	<u>1,000,000</u>	<u>5,000,000</u>	<u>8,000,000</u>

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Group has variable rate borrowings, which are secured, bear interest at 3.75% over Hong Kong Interbank Offered Rate (the "HIBOR") per annum, 2.00% over HIBOR per annum and 3.0% over HIBOR per annum respectively, and the interest is repriced every month and repayable within one year. As at 31 December 2015, 31 December 2016 and 31 December 2017, the average effective interest rate (which is equal to contracted interest rate) on the Group's bank loans is 3.97%, 2.72% and 4.24% per annum respectively. The loans were guaranteed by the immediate holding company and a non-controlling shareholder of the Company. The Group's bank loans are secured by floating charge over all receivables of certain subsidiaries as at 31 December 2015, 31 December 2016 and 31 December 2017 and pledged bank deposit as at 31 December 2017 as detailed in the note 31.

28. AMOUNTS DUE TO AN INTERMEDIATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

As at 31 December 2015, the amount due to an intermediate holding company was of non-trade nature, unsecured, non-interest bearing and repayable on demand. The amount was fully repaid during the year ended 31 December 2016.

As at 31 December 2016, the amounts due to fellow subsidiaries, which included consideration payable in respect of the acquisition of a subsidiary as detailed in the note 40, were of non-trade nature, unsecured, non-interest bearing and was fully repaid during the year ended 31 December 2017.

29. SHARE CAPITAL

Share capital of the Group as at 1 January 2015 and 31 December 2015 represents the paid up capital of SLDL; share capital of the Group at 31 December 2016 represents the aggregate paid up capital of the Company and SLDL; while share capital of the Group at 31 December 2017 represents share capital of the Company.

	Number of shares Authorised	Issued and fully paid	HK\$
At 1 January 2015 and 31 December 2015 (Note)			
Ordinary shares of SLDL of no par value	N/A	100	100
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2016			
Ordinary share of the Company of HK\$0.01 each	39,000,000	100	1
Ordinary shares of SLDL of no par value (Note)	N/A	100	100
	<u> </u>	<u> </u>	<u> </u>
			<u>101</u>

The Company	Number of shares		HK\$
	Authorised	Issued and fully paid	
Ordinary share of the Company of HK\$0.01 each			
At 9 December 2016 (date of incorporation), 31 December 2016 and 1 January 2017	39,000,000	100	1
Issued on 21 April 2017	–	900	9
At 31 December 2017	<u>39,000,000</u>	<u>1,000</u>	<u>10</u>

Note: SLDL has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (Cap. 622) (i.e. 3 March 2014).

The Company was incorporated on 9 December 2016 with an authorised share capital consisting of 39,000,000 shares at par value of HK\$0.01 per share. On the date of incorporation, HK\$1, consisting of 100 shares of HK\$0.01 each were allotted and issued by the Company. On 21 April 2017, HK\$9, consisting of 900 shares of HK\$0.01 each were allotted and issued by the Company for acquisition of SLDL by SLD Group Holdings Limited. Upon completion of the Group Reorganisation, the share capital of the Group as at 31 December 2017 represented the issued share capital of the Company.

30. RESERVES

The followings are the movements of the Company's share premium and accumulated losses from the date of incorporation to 31 December 2016 and the year ended 31 December 2017:

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 9 December 2016 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(12,553,796)	(12,553,796)
At 31 December 2016	–	(12,553,796)	(12,553,796)
Effect of group reorganisation (Note)	112,360,205	–	112,360,205
Profit and total comprehensive income for the year	–	21,156,097	21,156,097
Dividend recognised as distributions	(16,698,542)	(13,301,458)	(30,000,000)
At 31 December 2017	<u>95,661,663</u>	<u>(4,699,157)</u>	<u>90,962,506</u>

Note: Share premium represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the group reorganisation.

31. PLEDGE OF ASSETS

At the end of each reporting period, the Group's bank borrowings are secured by the floating charge over all receivables of certain subsidiaries.

As at 31 December 2017, the Group's bank borrowings are secured by pledged bank deposit of HK\$1,003,926.

32. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Within one year	17,684,974	15,622,538	21,508,865
In the second to fifth year inclusive	7,107,655	16,819,970	38,218,087
	<u>24,792,629</u>	<u>32,442,508</u>	<u>59,726,952</u>

Operating lease payments represent rental payable by the Group for its office premises and office equipment. Leases are negotiated for an average term of two years and rentals are fixed during the lease period.

33. CAPITAL COMMITMENTS

	2015 HK\$	At 31 December 2016 HK\$	2017 HK\$
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	–	–	6,221,541

34. RELATED PARTY TRANSACTIONS

Other than the balances and transactions with related parties as disclosed in the consolidated statements of financial position and notes 22, 23, 27, 28, 37, 39 and 40 respectively, the Group has entered into the following transactions with its related parties during the Track Record Period:

Company	Relationship	Nature of transaction	Year ended 31 December		
			2015 HK\$	2016 HK\$	2017 HK\$
1957 & Co (Management) Ltd	Related company (Note 1)	Interior design service income	3,279,430	–	3,697,200
		Service income	307,341	–	–
Art Union Limited	Related company (Note 1)	Sales of interior decorative products	–	76,325	–
		Management fee income	120,000	120,000	80,000
Jangho Hong Kong Holdings Limited	Intermediate holding company	Rental income	–	180,000	30,000
		Other income	–	–	31
Mango Tree (HK) Limited	Related company (Note 1)	Interior design service income	–	634,864	105,136
MCY Limited	Related company (Note 1)	Proceeds from disposals of property, plant and equipment	3,410,331	–	–
繽紛室內設計工作室	Related company (Note 2)	Sales of interior decorative products	328,896	–	–
北京港源海宇建築裝飾工程有限公司	Fellow subsidiary	Rental expense	1,869,362	1,535,377	–
北京承達創建裝飾工程有限公司	Fellow subsidiary	Interior design service income	499,320	–	89,113
		Referral fee	–	161,469	–
北京港源建築裝飾工程有限公司	Fellow subsidiary	Interior design service income	–	3,492,168	6,905,270
		Rental expense	–	249,559	832,997
		Purchase of property, plant and equipment	–	–	821
		Proceeds from disposals of property, plant and equipment	–	–	264,331
北京中航油置業有限公司	Related Company (Note 3)	Interior design service income	–	–	1,084,056
北京花宇置業有限公司	Related Company (Note 3)	Interior design service income	–	–	1,279,187
Hokkaido Restaurant Limited	Related Company (Note 1)	Interior design service income	–	486,096	–

Notes:

1. Leung Chi Tien Steve, a director of SLDL and a shareholder of the Company holds beneficial interests over these related companies.
2. A former non-controlling shareholder of a subsidiary holds beneficial interests over this related company.
3. Liu Zaiwang, a controlling shareholder of the Company holds controlling interests over these related companies.

Compensation of key management personnel

Directors are the key management personnel of the Group whose emoluments are disclosed in note 12.

The remuneration of other key management personnel of the Group, Leung Chi Tien Steve, is as follows:

	Year ended 31 December		
	2015 HK\$	2016 HK\$	2017 HK\$
Basic salaries, allowance and other benefits	5,022,031	4,803,413	6,372,248
Discretionary bonus	356,500	2,420,850	3,583,349
Retirement benefits scheme contributions	213,600	192,510	270,000
	<u>5,592,131</u>	<u>7,416,773</u>	<u>10,225,597</u>

The remuneration of key management personnel is determined by the directors of the Company and SLDL having regard to the performance of the Group.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company	
	At 31 December			At 31 December	
	2015 HK\$	2016 HK\$	2017 HK\$	2016 HK\$	2017 HK\$
Financial assets					
Loans and receivables (including cash and cash equivalents)	<u>108,625,129</u>	<u>167,119,089</u>	<u>209,228,679</u>	<u>–</u>	<u>10,546,400</u>
Financial liabilities					
Amortised cost	<u>45,363,610</u>	<u>67,762,298</u>	<u>103,704,148</u>	<u>14,774,814</u>	<u>38,384,313</u>

Financial risk management objectives

The major financial instruments of the Group include trade receivables, certain other receivables, amount due from a fellow subsidiary, pledged bank deposit, bank balances and cash, trade payables, other payables and accrued charges, dividend payable, bank borrowings and amounts due to an intermediate holding company and fellow subsidiaries. The financial instruments of the Company include dividend receivable, bank balances and cash, other payables and accrued charges, dividend payable and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks during the Track Record Period.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank deposits (see note 25 for details of bank balances and pledged bank deposit) and bank borrowings (see note 27 for details of bank borrowings). The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No interest rate sensitivity is disclosed as in the opinion of the directors of the Company, the interest rate sensitivity does not give additional value in view of insignificant exposure at the end of each reporting period.

Foreign currency risk

The Group has foreign currency transactions, which expose the Group to foreign currency risk.

At the end of each reporting period, the carrying amounts of the Group's monetary assets and monetary liabilities including inter-company balances denominated in currencies other than the functional currencies of its group entities are as follows:

	2015		At 31 December 2016		2017	
	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$	Assets HK\$	Liabilities HK\$
Group						
United States dollars ("US\$")	5,005,878	15,033	12,249,458	–	10,719,906	–
RMB	11,367,441	–	11,779,061	–	23,314,683	–
Euro ("EUR")	294,520	847,786	548,678	–	1,517,975	–
Great British Pound ("GBP")	379,824	–	133,681	–	149,331	–
HK\$	642,598	–	642,644	–	642,721	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Inter-company balances						
RMB	44,647,908	–	37,485,326	–	50,504,801	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

Since HK\$ is pegged to US\$, sensitivity analysis is not presented. The following table details the Group's sensitivity to a 5% increase and decrease in the respective functional currencies of group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis has been prepared based on outstanding foreign currency denominated monetary items and also inter-company balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the foreign currencies strengthen 5% against the relevant functional currencies. For a 5% weakening of the foreign currencies against the relevant functional currencies, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

	RMB impact			EUR impact			GBP impact			HK\$ impact		
	At 31 December		2017	At 31 December		2017	At 31 December		2017	At 31 December		2017
	2015	2016		2015	2016		2015	2016		2015	2016	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Group												
Increase (decrease) in post-tax profit for the year	2,338,641	2,056,788	3,081,963	(23,099)	22,907	63,375	15,857	5,581	6,235	24,097	26,830	26,834
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Credit risk

As at 31 December 2015, 31 December 2016 and 31 December 2017, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debt on a collective and on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. A net impairment loss of HK\$1,842,681, HK\$1,646,086 and HK\$5,040,413 in respect of the trade receivables was recognised by the Group for each of the years ended 31 December 2015, 31 December 2016 and 31 December 2017 respectively.

The Group has concentration of credit risk of the amount due from a fellow subsidiary as at 31 December 2015. The Company has concentration of credit risk of the dividend receivable as at 31 December 2017. The management assess the credit risk exposure on the amount due from a fellow subsidiary and dividend receivable to be low as the counterparty was with a strong financial position.

Other than concentration of credit risk on amount due from a fellow subsidiary, the Group has no significant concentration of credit risk in respect of trade and certain other receivables, with exposure spread over a number of counterparties and customers during the Track Record Period.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are international or state-managed banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following tables detail the contractual maturity of the Group's financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	On demand or less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<u>As at 31 December 2015</u>				
Trade payables	–	357,308	357,308	357,308
Other payables and accrued charges	–	31,816,302	31,816,302	31,816,302
Bank borrowings	3.97	1,003,370	1,003,370	1,000,000
Amount due to an intermediate holding company	–	12,190,000	12,190,000	12,190,000
		<u>45,366,980</u>	<u>45,366,980</u>	<u>45,363,610</u>

	Weighted average interest rate %	On demand or less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<u>As at 31 December 2016</u>				
Trade payables	–	4,278,309	4,278,309	4,278,309
Other payables and accrued charges	–	50,319,376	50,319,376	50,319,376
Bank borrowings	2.72	5,011,197	5,011,197	5,000,000
Amounts due to fellow subsidiaries	–	8,164,613	8,164,613	8,164,613
		<u>67,773,495</u>	<u>67,773,495</u>	<u>67,762,298</u>

	Weighted average interest rate %	On demand or less than 3 months HK\$	Total undiscounted cash flows HK\$	Carrying amounts HK\$
<u>As at 31 December 2017</u>				
Trade payables	–	8,963,187	8,963,187	8,963,187
Other payables and accrued charges	–	51,740,961	51,740,961	51,740,961
Dividend payable	–	35,000,000	35,000,000	35,000,000
Bank borrowings	4.24	8,031,688	8,031,688	8,000,000
		<u>103,735,836</u>	<u>103,735,836</u>	<u>103,704,148</u>

The contractual maturity of the Company's financial liabilities based on the earliest date on which the Company can be required to pay is on demand or less than 3 month.

Fair value measurement

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

37. LONG-TERM EMPLOYEE BENEFITS

The Group adopted Loyalty Incentive Scheme and Conversion Scheme on 26 November 2014 for the purpose of enhancing the stability and the sense of belonging of the selected employees.

Loyalty Incentive Scheme

Under the Loyalty Incentive Scheme, eligible employees may, at their discretion, deposit up to 50% of their respective year-end bonus for the years ended 31 December 2014, 31 December 2015 and/or 31 December 2016 (the "Accumulated Bonus") with the Group for a term of 24 months commencing from 31 December of the relevant years (the "Accumulation Period") (i.e. until 31 December 2016, 31 December 2017, and/or 31 December 2018). Subject to the participation of the Conversion Scheme by the relevant employees, the Group will pay to the employees who participated in the Loyalty Incentive Scheme the Accumulated Bonus plus a doubled amount (the "Incentive Bonus") within 14 days after the expiry of the relevant Accumulation Period.

During the years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Group recognised total expense of HK\$1,778,594, HK\$2,310,460, and HK\$3,003,226 respectively in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme. As at 31 December 2015 and 31 December 2016, the amounts borne by the shareholder of the Company pursuant to the Loyalty Incentive Scheme of HK\$1,528,162 and HK\$2,683,392 and nil respectively are recognised as shareholder's contribution and accumulated in equity under the heading of "Shareholder's contribution", and the amounts to be borne by SLDL included in the consolidated statements of financial position as "liabilities associated with long-term employee benefits" under other payables and accrued charges are HK\$1,528,162, HK\$2,683,392 and HK\$5,372,370 respectively. During the year ended 31 December 2017, SLDL has agreed to bear all the Incentive Bonus paid and payable. The unpaid amount of HK\$2,683,392 previously recognised as shareholder's contribution has been reversed with a corresponding recognition of a liability associated with long-term employee benefits (note 26).

Conversion Scheme

Eligible employees may also, at their discretion, participate in the Conversion Scheme for the years ended 31 December 2014, 31 December 2015 and 31 December 2016. Pursuant to the Conversion Scheme, the eligible employees may subscribe the awarded shares in SLDL in January 2017 at the discounted exercise price of HK\$2,500,000 per 1% of the issued share capital of SLDL from the shareholders of the Company based on the amount he/she is entitled to (including the original deposited sum and the return) under the Loyalty Incentive Scheme. Such awarded shares will be vested and transferred from the shareholders to the employees in January 2022. No awarded share in SLDL was subscribed during the year ended 31 December 2017.

The total number of shares which may be awarded under the Conversion Scheme is not permitted to exceed 15% of the shares of SLDL in issue at any point in time, without prior approval from the SLDL's shareholders. The number of shares awarded and to be transferred from the shareholders to the employees under the Conversion Scheme and may be granted to any individual in any one year is not permitted to exceed 1.5% of the shares of SLDL in issue at any point in time, without prior approval from the SLDL's shareholders.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the number of shares in respect of which the Conversion Scheme had been awarded were 2.97, 2.29 and 0.44 respectively, representing 2.97%, 2.29% and 0.44% of the shares of SLDL in issue at those dates. The estimated total fair values of the shares in respect of which the Conversion Scheme had been awarded on 31 December 2014, 31 December 2015 and 31 December 2016 are HK\$7,427,279, HK\$5,723,131 and HK\$1,111,049 respectively, which is determined with reference to the consideration for SLDL Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus.

During the years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Group recognised total expense of HK\$1,352,379, HK\$1,540,644 and HK\$1,540,644 respectively in relation to the Conversion Scheme and accumulated in equity under the heading of "long-term employee benefit reserve".

38. RETIREMENT BENEFITS SCHEME

The employees of the Company's subsidiaries in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees joining the Group are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK\$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

The employees of the Company's subsidiaries in PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At 31 December 2015, 31 December 2016 and 31 December 2017, there were no forfeited contributions available to offset future employers' contributions to the schemes.

The total expense recognised in profit or loss for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, of HK\$13,144,783, HK\$14,156,396 and HK\$18,613,197, respectively, represents contributions paid or payable to the above schemes by the Group.

39. INTERESTS IN SUBSIDIARIES

The Company

	At 31 December	
	2016 HK\$	2017 HK\$
Investments in subsidiaries – at cost (Note (a))	–	112,360,222
Amount due to a subsidiary (Note (b))	9,119,642	25,832,900

- (a) It represented the aggregate net assets value of a subsidiary acquired pursuant to the Group Reorganisation.
- (b) The amount due to a subsidiary is of non-trade nature, unsecured, non-interest bearing and repayable on demand.

As at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at (Note (i))			Date of this report	Principal activities	Notes
				2015	At 31 December 2016	2017			
SLD Group Holdings Limited (note (i))	BVI	3 January 2017	US\$1	–	–	100%	100%	Investment holding	(iii)
SLDL	Hong Kong	25 June 1997	HK\$100	100%	100%	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services	(iv)

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at (Note (i))			Date of this report	Principal activities	Notes
				2015	At 31 December 2016	2017			
梁志天設計諮詢(深圳)有限公司 Steve Leung Designers (Shenzhen) Limited (Note (ii))	PRC	20 April 2007	HK\$1,000,000	100%	100%	100%	100%	Provision of interior design services, interior decorating and furnishing services and products design services	(vi)
梁志天室內設計(北京)有限公司 Steve Leung Interior Design (Beijing) Limited (Note (ii))	PRC	13 November 2014	RMB700,000	99%	99%	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services	(vi)
北京港源建築裝飾設計研究院有限公司 Beijing Gangyuan Institute of Architectural Decoration Design and Research Co., Ltd. (Note (ii))	PRC	6 September 2006	RMB10,000,000	–	80%	80%	80%	Provision of interior design services	(vi)
梁志天生活藝術(深圳)有限公司 Steve Leung Lifestyle (Shenzhen) Limited (Note (ii))	PRC	19 May 2016	RMB700,000	–	100%	100%	100%	Trading of interior decorative products	(vi)
Steve Leung & Yoo Limited	Hong Kong	18 March 2008	HK\$1	100%	100%	100%	100%	Inactive	(v)
Steve Leung Architects Limited	Hong Kong	25 June 1997	HK\$100	100%	100%	100%	100%	Inactive	(v)
SLD Group Limited (formerly known as SLD Holdings Limited)	BVI	1 April 2014	US\$1	100%	100%	–	–	Inactive	(iii)
SLH Holdings Limited	BVI	1 April 2014	US\$1	100%	100%	–	–	Inactive	(iii)
SLA Holdings Limited	BVI	9 April 2014	US\$1	100%	100%	–	–	Inactive	(iii)
SLX Holdings Limited	BVI	1 April 2014	US\$1	100%	100%	–	–	Inactive	(iii)
Steve Leung Exchange Limited	Hong Kong	29 May 2014	HK\$100	100%	100%	100%	100%	Provision of interior design services	(v)
Steve Leung Hospitality Limited	Hong Kong	29 May 2014	HK\$100	100%	100%	100%	100%	Inactive	(v)
Everyday Living Limited	Hong Kong	10 October 2014	HK\$100	60%	100%	100%	100%	Trading of interior decorative products	(iv)
天天生活(廣州)貿易有限公司 Everyday Living (Guangzhou) Trading Limited (Note (ii))	PRC	5 February 2015	RMB751,000	60%	100%	100%	100%	Trading of interior decorative products	(vi)
Steve Leung Lifestyle Limited	Hong Kong	4 June 2015	HK\$100	100%	100%	100%	100%	Trading of interior decorative products	(iv)

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

Notes:

- (i) The Company directly holds the equity interest in SLD Group Holdings Limited. SLD Group Holdings Limited directly holds the equity interest in SLDL. All other subsidiaries shown above are indirectly held by the Company through SLDL.
- (ii) English translated name is for identification only.
- (iii) No audited financial statements of SLD Group Holdings Limited, SLD Group Limited, SLH Holdings Limited, SLA Holdings Limited and SLX Holdings Limited have been prepared since their respective dates of incorporation as they are incorporated in the jurisdiction where there are no statutory audit requirements. SLD Group Limited, SLH Holdings Limited, SLA Holdings Limited and SLX Holdings Limited were disposed of to the intermediate holding company of the Company at cost for a total consideration of US\$4 on 23 March 2017.
- (iv) The statutory consolidated financial statements of SLDL and its subsidiaries for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

The statutory consolidated financial statements of Everyday Living Limited and 天天生活(廣州)貿易有限公司, its subsidiary, for the year ended 31 December 2015, and the statutory financial statements of Everyday Living Limited for the years ended 31 December 2016 and 31 December 2017, were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

The statutory financial statements of Steve Leung Lifestyle Limited for the period from date of incorporation to 31 December 2015, and the statutory consolidated financial statements of Steve Leung Lifestyle Limited and 梁志天生活藝術(深圳)有限公司, its subsidiary, for the years ended 31 December 2016 and 31 December 2017, were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

- (v) The statutory financial statements of Steve Leung & Yoo Limited, Steve Leung Architects Limited, Steve Leung Exchange Limited and Steve Leung Hospitality Limited for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, or since their respective dates of incorporation, were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.
- (vi) The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by certified public accountants registered in the PRC as below:

Name of entities	Period covered	Certified Public Accountants
Subsidiaries:		
梁志天設計諮詢(深圳)有限公司	For each of the three years ended 31 December 2015, 31 December 2016 and 31 December 2017	深圳和誠會計師事務所
梁志天室內設計(北京)有限公司	For the period from 13 November 2014 (date of establishment) to 31 December 2015 and each of the two years ended 31 December 2016 and 31 December 2017	北京東審鼎立國際會計師事務所有限責任公司
北京港源建築裝飾設計研究院有限公司	For each of the two years ended 31 December 2016 and 31 December 2017	華普天健會計師事務所
天天生活(廣州)貿易有限公司	For the period from 5 February 2015 (date of establishment) to 31 December 2015 and each of the two years ended 31 December 2016 and 31 December 2017	廣州匯昊會計師事務所
梁志天生活藝術(深圳)有限公司	For the period from 19 May 2016 (date of establishment) to 31 December 2017	深圳皇嘉會計師事務所

40. ACQUISITION OF A SUBSIDIARY

On 24 September 2016, the Group acquired 80% of the issued share capital of 北京港源建築裝飾設計研究院有限公司 for consideration of RMB10,213,158 (equivalent to HK\$11,868,710) from 北京港源建築裝飾工程有限公司, a fellow subsidiary of the Group. The acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was HK\$1,253,601. 北京港源建築裝飾設計研究院有限公司 is principally engaged in provision of interior design services. 北京港源建築裝飾設計研究院有限公司 was acquired so as to continue the expansion of the Group's business.

Consideration transferred

	HK\$
Cash consideration payable within one year (included under amounts due to fellow subsidiaries)	8,308,097
Cash consideration paid	3,560,613
	<u>11,868,710</u>

Acquisition-related costs amounting to HK\$21,721 are excluded from the consideration transferred and have been recognised as an expense included in administrative expense in the profit or loss.

The fair value of assets and liabilities recognised at the date of acquisition are as follow:

	HK\$
Non-current Assets	
Property, plant and equipment	913,171
Intangible assets	2,130,510
Deferred tax asset	262,571
Current Assets	
Trade receivables	3,576,728
Other receivables and deposits	738,941
Amount due from a fellow subsidiary	150,999
Amounts due from customers for contract works	7,358,732
Bank balances and cash	10,689,085
Current Liabilities	
Amount due to a fellow subsidiary	(4,160,430)
Trade payables	(2,138,210)
Other payables	(1,237,938)
Tax liabilities	(981,263)
Non-current Liability	
Deferred tax liability	<u>(518,714)</u>
	<u>16,784,182</u>

The trade receivables acquired with a fair value of HK\$3,576,428 at the date of acquisition had gross contractual amounts of HK\$4,577,063. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK\$1,000,635.

The initial accounting for the assets and liabilities acquired in the above business combination with fair value of HK\$16,784,182 have been determined by professional valuations conducted by independent valuer not connected to the Group.

Goodwill arising on acquisition is as follows:

	HK\$
Consideration	11,868,710
Add: Non-controlling interests (Note)	6,169,073
Less: Net assets acquired	<u>(16,784,182)</u>
Goodwill	<u><u>1,253,601</u></u>

Note: The non-controlling interests are measured at their proportionate share of the net assets acquired and adjusted for the pre-acquisition profits of 北京港源建築裝飾設計研究院有限公司 attributable to the non-controlling interests pursuant to the sale and purchase agreement.

Goodwill arising in the acquisition of 北京港源建築裝飾設計研究院有限公司 because the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of synergies, revenue growth, future market development, and the assembled workforce of 北京港源建築裝飾設計研究院有限公司. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow arising on acquisition is as follows:

	HK\$
Cash consideration paid up to 31 December 2016	(3,560,613)
Less: bank balances and cash acquired	<u>10,689,085</u>
Net cash inflow during the year ended 31 December 2016	<u><u>7,128,472</u></u>

Included in the profit for the year ended 31 December 2016 is HK\$2,237,009 attributable to the additional business generated by 北京港源建築裝飾設計研究院有限公司. Revenue for the year ended 31 December 2016 includes HK\$11,950,060 generated from 北京港源建築裝飾設計研究院有限公司.

Had the acquisition been completed on 1 January 2016, total revenue of the Group for the year ended 31 December 2016 would have been HK\$351,150,468, and profit for the year ended 31 December 2016 would have been HK\$66,274,627. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash charges. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings HK\$	Amount due to an intermediate holding company HK\$	Amounts due to fellow subsidiaries HK\$	Dividend payable HK\$	Total HK\$
At 1 January 2015	–	–	–	–	–
Financing cash flows	1,000,000	12,190,000	–	(36,600,000)	(23,410,000)
<i>Non-cash changes</i>					
Dividend recognised as distribution	–	–	–	36,600,000	36,600,000
At 31 December 2015	1,000,000	12,190,000	–	–	13,190,000
Financing cash flows	4,000,000	(12,190,000)	(4,023,908)	(17,408,142)	(29,622,050)
<i>Non-cash changes</i>					
Acquisition of a subsidiary (note 40)	–	–	4,160,430	–	4,160,430
Dividend recognised as distribution	–	–	–	17,408,142	17,408,142
Exchange realignment	–	–	35,989	–	35,989
At 31 December 2016	5,000,000	–	172,511	–	5,172,511
Financing cash flows	3,000,000	–	(176,909)	(65,000,000)	(62,176,909)
<i>Non-cash changes</i>					
Dividend recognised as distributions	–	–	–	100,000,000	100,000,000
Exchange realignment	–	–	4,398	–	4,398
At 31 December 2017	<u>8,000,000</u>	<u>–</u>	<u>–</u>	<u>35,000,000</u>	<u>43,000,000</u>

42. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2017:

- (a) On 11 June 2018, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 shares of par value HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 shares of par value HK\$0.01 each, by the creation of 3,961,000,000 shares of par value HK\$0.01 each.
- (b) On 11 June 2018, written resolutions of the shareholders of the Company were passed to approve the matters set out in "Appendix IV – Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions of our Shareholders passed on 11 June 2018" in the Prospectus. It was resolved, among other things, conditional upon (A) the listing committee granting the listing of, and permission to deal in, the shares in issue, the offer shares to be issued as mentioned in the Prospectus; (B) the offer price having been fixed on or around the price determination date; and (C) the execution and delivery of the international underwriting agreement on or around the price determination date; and (D) the obligations of the underwriters under each of the Hong Kong underwriting agreement and the international underwriting agreement becoming and remaining unconditional and not being terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the underwriting agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of the Prospectus:
 - (i) the rules of the pre-IPO share option scheme set out in "Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme" in the Prospectus were approved and adopted and the directors of the Company or any committee thereof established by the board were authorised, at their sole discretion, to grant options to subscribe for shares under the pre-IPO share option scheme and to allot and issue the shares pursuant to the exercise of options granted under the pre-IPO share option scheme and to take such action as they consider necessary, expedient or desirable to implement the pre-IPO share option scheme;

- (ii) the rules of the share option scheme set out in “Appendix IV – Statutory and General Information – E. Share Option Scheme” in the Prospectus were approved and adopted and the directors of the Company or any committee thereof established by the board were authorised, at their sole discretion, to grant options to subscribe for shares under the share option scheme and to allot and issue the shares pursuant to the exercise of options granted under the share option scheme and to take such action as they consider necessary, expedient or desirable to implement the share option scheme; and
 - (iii) conditional upon the share premium amount of the Company being credited as a result of the Global Offering (as defined in the Prospectus), the directors of the Company were authorised to capitalise the amount of HK\$8,549,990 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 854,999,000 shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on 22 June 2018 (or as the directors of the Company may direct), pro-rata to its/their then respective shareholdings in the Company and such shares to be allotted and issued shall rank pari passu in all respects with the existing shares in issue and the directors of the Company were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents in relation thereto.
- (c) On 15 June 2018, the Company implemented a settlement plan in relation to the Conversion Scheme (the “Settlement Plan”) set out in “History, Development and Reorganisation” in the Prospectus. Pursuant to the Settlement Plan: (i) the Conversion Scheme was terminated and replaced by the Pre-IPO Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLDL of the eligible participant under the Conversion Scheme was replaced by the Pre-IPO Share Options granted to them; and (iii) all the rights, benefits and claims of the eligible participant under the Conversion Scheme were terminated.

Save as aforesaid and disclosed elsewhere in the Historical Financial Information, no other significant events took place subsequent to 31 December 2017.

43. 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 December 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for each of the three years ended 31 December 2017 (the "Accountants' Report") received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to the prospectus and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the section headed "Financial Information" and "Appendix I – Accountants' Report" in this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 (1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as if the Global Offering had taken place on 31 December 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2017 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share HK\$ (Note 3)
Based on a minimum Offer Price of HK\$0.71 per Share	193,979	177,809	371,788	0.33
Based on a maximum Offer Price of HK\$1.05 per Share	193,979	271,794	465,773	0.41

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 December 2017 is based on the consolidated net assets of the Group attributable to owners of the Company of HK\$199,173,597 as at 31 December 2017 as extracted from the Accountants' Report as set out in Appendix I to this prospectus less goodwill and intangible assets of the Group attributable to the owners of the Company of HK\$1,290,494 and HK\$3,903,852, respectively as at 31 December 2017.
- (2) The estimated net proceeds from the Global Offering are based on 285,000,000 Shares to be issued at the minimum and maximum offer price range of HK\$0.71 and HK\$1.05 per Share, respectively, after deduction of the estimated underwriting fees and other related expenses expected to be incurred and borne by the Group subsequent to 31 December 2017 and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and allotted pursuant to the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Share Capital – General Mandate to Issue and Repurchase Shares" in this Prospectus.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is arrived at after adjustments referred to in note 1 above and on the basis of 1,140,000,000 Shares in total, taking into account that 1,000 Shares in issue as at 31 December 2017 and assuming that 1,139,999,000 Shares to be issued pursuant to the Global Offering and Capitalisation Issue had been completed on 31 December 2017. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued and allotted pursuant to the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Share Capital – General Mandate to Issue and Repurchase Shares" in this Prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an assurance report from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of inclusion in this prospectus.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Steve Leung Design Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Steve Leung Design Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 22 June 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 December 2017 as if the Global Offering had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the historical financial information of the Group for each of the three years ended 31 December 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control I “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 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 unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 22 June 2018

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 December 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

I. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 11 June 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with

the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights,

or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

and (ii) all dividends shall be apportioned and paid pro-rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The undertaking for the Company is for a period of twenty years from 10 January 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation and registration of our Company under Part 16 of the Companies Ordinance**

Our Company was incorporated on 9 December 2016 in the Cayman Islands as an exempted company with limited liability under the Companies Law. We have established a principal place of business in Hong Kong at 30/F, Manhattan Place, No. 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong and registered as a non-Hong Kong company on 12 January 2017 under Part 16 of the Companies Ordinance. Mr. Yip Kwok Hung Kevin has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our operation and corporate structure are subject to the laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and Articles of Association. A summary of our constitution and the relevant aspects of the Cayman Companies Law is set out in Appendix III.

2. Changes in share capital of our Company

- (a) on 9 December 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital was HK\$390,000 divided into 39,000,000 Shares of par value of HK\$0.01 each;
- (b) on 9 December 2016, one Share of par value HK\$0.01 was allotted and issued fully-paid as a subscriber's share to an Independent Third Party, who in turn transferred such one Share to Eagle Vision on the same date. On the same date, 69 Shares and 30 Shares were allotted and issued to Eagle Vision and Sino Panda, respectively, credited as fully-paid;
- (c) on 21 April 2017, 630 Shares and 270 Shares of par value of HK\$0.01 were allotted and issued to Eagle Vision and Sino Panda, respectively, credited as fully-paid; and
- (d) on 11 June 2018, the authorised share capital of our Company was increased from HK\$390,000 divided into 39,000,000 Shares of par value HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of par value HK\$0.01 each, by the creation of 3,961,000,000 Shares of par value HK\$0.01 each.

Assuming that the Global Offering becomes unconditional and the issue of the Shares pursuant to the Capitalisation Issue and the Global Offering mentioned herein are made, but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$40,000,000 divided into 4,000,000,000 Shares and the issued share capital of our Company will be HK\$11,400,000 divided into 1,140,000,000 Shares fully paid or credited as fully paid. Other than pursuant to any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue shares referred to in “– A. Further Information about our Company – 3. Written resolutions of our Shareholders passed on 11 June 2018”, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders passed on 11 June 2018

On 11 June 2018, written resolutions of our Shareholders were passed, pursuant to which, among other things:

- (a) the increase of the authorised share capital of our Company from HK\$390,000 divided into 39,000,000 Shares of HK\$0.01 each to HK\$40,000,000 divided into 4,000,000,000 Shares of HK\$0.01 each by the creation of an additional 3,961,000,000 Shares which shall rank *pari passu* in all respects with the then existing issued Shares was approved;
- (b) the Memorandum and the Articles were approved and adopted with effect from the Listing Date;
- (c) conditional upon (A) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued as mentioned in this prospectus; (B) the Offer Price having been fixed on or around the Price Determination Date; and (C) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (D) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not being terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus:

- (i) the Global Offering and the Over-allotment Option were approved and that our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms;
- (ii) the rules of the Pre-IPO Share Option Scheme were approved and adopted and our Directors or any committee thereof established by our Board were authorised, at their sole discretion, to grant options to subscribe for Shares under the Pre-IPO Share Option Scheme and to allot and issue the Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Pre-IPO Share Option Scheme;
- (iii) the rules of the Share Option Scheme were approved and adopted and our Directors or any committee thereof established by our Board were authorised, at their sole discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot and issue the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Share Option Scheme; and
- (iv) conditional upon the share premium amount of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK\$8,549,990 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 854,999,000 Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of our Company at the close of business on the date of this prospectus (or as our Directors may direct), pro-rata to its/their then respective shareholdings in our Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with the existing Shares in issue and our Directors were authorised to give effect to such appropriation, capitalisation and distribution, and to do all such things and sign all such documents in relation thereto;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or an issue of Shares upon the exercise of the Over-allotment Option or any options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or similar arrangements for the time being adopted, Shares not exceeding 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme);

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme); and

- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the total number of Shares in issue) immediately following completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme);

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which our Company is required by any applicable laws or the Articles to hold our next annual general meeting; or
- (c) the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing the mandate given to our Directors.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise the business and the structure of our Group in preparation for the Listing. See “History, Development and Reorganisation” for details on the steps involved in the Reorganisation.

5. Changes in share capital of subsidiaries of our Company

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries. Save as disclosed in this prospectus, there has been no other change to the share capital of the subsidiaries of our Company within two years preceding the date of this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes the information relating to the repurchase of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Regulations of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) 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 the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

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 as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company, out of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law and the Memorandum and Articles of Association, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law and the Memorandum and Articles of Association, out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (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. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and cancelled and the certificates for those securities must be cancelled and destroyed.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for publication of an announcement of a listed company's 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, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities 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, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) *Reasons for repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company will only apply funds legally available for such purposes in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 1,140,000,000 Shares in issue immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme, could accordingly result in up to approximately 114,000,000 Shares being repurchased by our Company during the period prior to whichever is the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required the Articles or any applicable laws of the Cayman Islands to be held; or

- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or its 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 the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of 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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**I. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business of our Group) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

- (a) the agreement in respect of the transfer of equity interest in Gangyuan Design dated 24 September 2016 entered into between Gangyuan Decoration and Steve Leung (Beijing), pursuant to which Gangyuan Decoration transferred its 80% equity interest in Gangyuan Design to Steve Leung (Beijing) for a consideration of RMB10,213,157.19 (the “**Equity Transfer Agreement**”);
- (b) the share transfer agreement dated 3 March 2017 entered into between Mr. Steve Leung and SLDL, pursuant to which Mr. Steve Leung transferred his 1% equity interest in Steve Leung (Beijing) to SLDL for a consideration of RMB7,000;
- (c) the supplemental agreement to the Equity Transfer Agreement dated 21 March 2017 entered into between Gangyuan Decoration and Steve Leung (Beijing) relating to, amongst others, the allocation arrangements for the undistributed profits before and after the completion of the equity transfer contemplated under the Equity Transfer Agreement;
- (d) the instrument of transfer dated 23 March 2017 entered into between SLDL and Jangho HK, pursuant to which SLDL transferred one ordinary share in SLA Holdings to Jangho HK for a consideration of US\$1.00;
- (e) the instrument of transfer dated 23 March 2017 entered into between SLDL and Jangho HK, pursuant to which SLDL transferred one ordinary share in SLH Holdings to Jangho HK for a consideration of US\$1.00;
- (f) the instrument of transfer dated 23 March 2017 entered into between SLDL and Jangho HK, pursuant to which SLDL transferred one ordinary share in SLX Holdings to Jangho HK for a consideration of US\$1.00;
- (g) the instrument of transfer dated 23 March 2017 entered into between SLDL and Jangho HK, pursuant to which SLDL transferred one ordinary share in SLD Group to Jangho HK for a consideration of US\$1.00;
- (h) the shareholders’ agreement dated 21 April 2017 entered into among Eagle Vision, Sino Panda, Mr. Steve Leung and our Company to, amongst others,

govern and regulate their relationship with each other under our Company, and to record the terms and conditions of the parties' relationship and participation as shareholders in our Company, the conduct of our Company's business and the management of our Company and our subsidiaries;











- (i) the agreement dated 21 April 2017 entered into among Eagle Vision, Mr. Steve Leung, Sino Panda, SLD Group Holdings and our Company, pursuant to which (i) Eagle Vision and Mr. Steve Leung agreed to sell all of their respective shares in SLDL to SLD Group Holdings; and (ii) for the consideration of the aforesaid transfers, our Company agreed to issue and allot 630 Shares and 270 Shares to Eagle Vision and Sino Panda, respectively;
- (j) the share transfer agreement dated 11 June 2018 entered into between SLDL and SLD Group Holdings, pursuant to which SLDL transferred its entire shares in each of SLAL, Steve Leung & Yoo, Steve Leung Hospitality, Steve Leung Exchange, Steve Leung Lifestyle and Everyday Living to SLD Group Holdings at the consideration of HK\$79,022.36, HK\$1.00, HK\$470,402.00, HK\$1,998,523.09, HK\$4,371,841.00, and HK\$100.00, respectively;
- (k) the Deed of Non-competition;
- (l) the Deed of Indemnity;
- (m) the SL Deed of Non-competition and Lock-up Undertaking;
- (n) the SL Deed of Indemnity; and
- (o) the Hong Kong Underwriting Agreement.











2. Our material intellectual property rights

As at the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.



(a) Trademark

As at the Latest Practicable Date, we had registered the following trademarks:














No.	Trademark	Class	Registered owner	Place of registration	Registration no.	Expiry date
1	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	302968499	16 April 2024
2	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	302968444	16 April 2024
3	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	302968471	16 April 2024
4	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	302968507	16 April 2024
5	 EVERYDAY LIVING 天天生活  EVERYDAY LIVING 天天生活	4, 6, 8, 16, 18, 20, 21, 24, 25, 35, 42	Everyday Living	HK	303527956	6 September 2025













No.	Trademark	Class	Registered owner	Place of registration	Registration no.	Expiry date
6	 EVERYDAY LIVING  EVERYDAY LIVING	4, 6, 8, 16, 18, 20, 21, 24, 25, 35, 42	Everyday Living	HK	303825388	3 July 2026
7	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	304039830	6 February 2027
8	 	2, 16, 20, 35, 37, 42, 44	SLDL	HK	303935359	18 October 2026
9		42	SLDL	PRC	15294516	20 October 2025
10		42	SLDL	PRC	15294780	20 May 2026
11		42	SLDL	PRC	15723640	6 January 2026
12		42	SLDL	PRC	15723668	6 December 2026








As at the Latest Practicable Date, the following trademark rights were licensed to our Group and were material to our business:

No.	Trademark	Class	Licensor	Place of registration	Registration number	Expiry date
1	 港源	37	Gangyuan Decoration	PRC	1949589	27 August 2022
2	 港源	42	Gangyuan Decoration	PRC	1774815	20 May 2022

As at the Latest Practicable Date, we had applied for the registration of the following trademarks:

No.	Trademark	Place of application	Applicant	Class	Application no.
1		PRC	SLDL	42	21509061
2	 	HK	SLDL	2, 16, 20, 35, 36, 37, 42, 44	304157695
3		HK	SLDL	2, 16, 20, 35, 36, 37, 42, 44	304157749
4	 	HK	SLDL	2, 16, 20, 35, 36, 37, 42, 44	304157758
5	 	HK	SLDL	2, 16, 20, 35, 36, 37, 42, 44	304157767
6		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157893
7	 	HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157901
8	 	HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157857

No.	Trademark	Place of application	Applicant	Class	Application no.
9		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157866
10		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157875
					
11		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157884
					
12		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157811
					
13		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157820
14		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157839
					
15		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157848
					

No.	Trademark	Place of application	Applicant	Class	Application no.
16	 	HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157776
17		HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157785
18	 	HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157794
19	 	HK	SLDL	2, 16, 20, 35, 37, 42, 44	304157802

(b) Domain name

As at the Latest Practicable Date, we had registered the following domain names:

Domain name	Registered owner	Expiry date
Steveleung.com	SLDL	10 April 2019
Steveleung.com.hk	SLDL	22 March 2021
SLDG.hk	SLDL	19 June 2018
SLDG.com.hk	SLDL	13 July 2018
edl.hk	Everyday Living	4 September 2018
edl.com.hk	Everyday Living	4 September 2018
ed-living.hk	Everyday Living	4 September 2018
ed-living.com.hk	Everyday Living	4 September 2018
everydayliving.hk	Everyday Living	4 September 2018
everydayliving.com.hk	Everyday Living	4 September 2018
tiantianshenghuo.hk	Everyday Living	4 September 2018
tiantianshenghuo.com.hk	Everyday Living	4 September 2018
everydaydesign.hk	Everyday Living	8 October 2018
everydaydesign.com.hk	Everyday Living	8 October 2018
everydayliving.tw	Everyday Living	14 September 2018
everydayliving.com.tw	Everyday Living	14 September 2018
everydaydesign.tw	Everyday Living	8 October 2018
everydaydesign.com.tw	Everyday Living	8 October 2018
ed-living.com	Everyday Living	14 August 2018
steveleunglifestyle.com	Everyday Living (Guangzhou)	17 June 2019
edlshop.com	Everyday Living (Guangzhou)	1 December 2018
ed-living.com.cn	Everyday Living (Guangzhou)	4 September 2018
everydayliving.cn	Everyday Living (Guangzhou)	4 September 2018

Domain name	Registered owner	Expiry date
everydayliving.com.cn	Everyday Living (Guangzhou)	4 September 2018
everydaydesign.cn	Everyday Living (Guangzhou)	8 October 2018
everydaydesign.com.cn	Everyday Living (Guangzhou)	9 October 2018
tiantianshenghuo.cn	Everyday Living (Guangzhou)	4 September 2018
tiantianshenghuo.com.cn	Everyday Living (Guangzhou)	4 September 2018
天天生活.cn	Everyday Living (Guangzhou)	4 September 2018
天天生活.com	Everyday Living (Guangzhou)	4 September 2018

(c) Patents

As at the Latest Practicable Date, we did not have any registered patent or patent application.

Save as disclosed above, there were no other trademarks, domain names, patents or other intellectual property rights which were material in relation to our business as at the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

I. Disclosure of interests

(a) Interest of Directors and chief executive

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (but taking no account of Shares which may be issued upon the exercise of the Over-allotment Option and upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executives in the share capital, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of Directors and chief executive	Capacity/Nature of interest	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Number and class of Shares ^(Note 1)	Approximate percentage of shareholding immediately following completion of the Global Offering ^(Note 2)
Mr. Siu Man Hei	Beneficial owner	10,032,000	10,032,000 ordinary Shares	0.880%

Notes:

- All interests stated are long positions.
- As required by the SFO, the relevant percentages are calculated by reference only to the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering and on the assumption that no Shares are allotted and issued pursuant to the exercise of the Over-allotment Option, or issued and allotted pursuant to the options which are granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. Consequently, this is based on 1,140,000,000 Shares, being the number of Shares in issue on the Listing Date assuming that the Offer Shares have been allotted and issued.

(b) Interests of substantial shareholders

For information on the persons who will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of Shares which may be issued upon the exercise of the Over-allotment Option and upon the exercise of any options which are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see “Substantial Shareholders”.

2. Directors’ service contracts

Each of our executive Directors has entered into a service contract with our Company, and we have issued letter of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contract with each of our executive Directors and the letter of appointment with each of our non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The letter of appointment with each of our independent non-executive Directors is for an initial fixed term of three years commencing from the Listing Date. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid to our Directors for FY2015, FY2016 and FY2017 were approximately HK\$10.1 million, HK\$10.8 million and HK\$14.1 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2015, FY2016 and FY2017, by any of member of our Group to any of our Directors.

Pursuant to the service contract entered into between our Company and each of our executive Directors and the letter of appointment issued to each of our non-executive Directors and our independent non-executive Directors, the basic remuneration and the contractual annual performance bonus payable to each of our Directors are as follows:

Name	Annual remuneration (approximately) (HK\$'000)
Mr. Siu Man Hei	3,600
Mr. Yip Kwok Hung Kevin	1,380
Mr. Ding Chunya	448
Ms. Kau Wai Fun	1,290
Mr. Xu Xingli	Nil
Mr. Xie Jianyu	Nil
Mr. Tsang Ho Ka Eugene	180
Mr. Liu Yi	180
Mr. Sun Yansheng	180

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2018 to be approximately HK\$7.0 million.

4. Agency fees or commissions received

Save as disclosed in this prospectus, within the two years 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 share or loan capital of any member of our Group.

5. Related party transactions

Save as disclosed in this prospectus and in the Accountants' Report, during the three years immediately preceding the date of this prospectus, our Company had not engaged in any other material transactions or related party transactions.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any other member of our Group;
- (c) none of our Directors nor any of the persons listed in “– F. Other Information – 5. Qualification of experts” below is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “– F. Other Information – 5. Qualification of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “– F. Other Information – 5. Qualification of experts” below (i) is interested legally or beneficially in any of the Shares or any shares of any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any such cash, securities or other benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus;
- (g) none of our Directors or their respective close associates is interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business; and
- (h) save as contemplated under the Underwriting Agreements, none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. PRE-IPO SHARE OPTION SCHEME

I. Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain senior management, employees, consultants and other contributors of our Group ("**Participants**") have made or may have been made to the growth of our Group. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of the Shareholders passed on 11 June 2018, are set out below:

- (a) the Pre-IPO Share Option Scheme is conditional upon its adoption by our Shareholder, but the exercise of any option granted thereunder is conditional upon:
 - (i) the Listing Committee granting the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Pre-IPO Share Options; and
 - (ii) the commencement of dealings in our Shares on the Main Board.
- (b) the Pre-IPO Share Option Scheme will expire on the Listing Date. Save for the options which have been granted before the Listing Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;
- (c) the subscription price for any Share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the Offer Price;

- (d) an offer of the grant of an option shall be deemed to have been accepted and such option to which such offer relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of such offer duly signed by the grantee with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the offer date;
- (e) the grantees may only exercise their options no more than 20% of the total number of underlying Shares under the options granted to such grantee every 12 months and the outstanding and unexercised Pre-IPO Share Options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period;
- (f) any options granted under the Pre-IPO Share Option Scheme will lapse automatically if the Listing does not take place by 30 June 2018;
- (g) the shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall not exceed 10 per cent. of the Shares in issue as at the Listing Date (i.e. 114,000,000 Shares); and
- (h) the Pre-IPO Share Options will be terminated immediately and would no longer be exercisable in the event of termination of employment for reasons including, but not limited to, misconduct of the employee and the employee being arrested for breach of any criminal law.

2. Outstanding Options

As at the Latest Practicable Date, options to subscribe for an aggregate of 30,483,600 Shares (representing 2.674% of the issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) at an exercise price of HK\$0.44 per Share equivalent to 50% discount to the mid-point of the Offer Price, had been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 16 employees of our Group (the “**Option Holders**”) have been granted options under the Pre-IPO Share Option Scheme. All of the 16 Option Holders are employees of our Group including our Directors and our senior management members. Save as disclosed below, no Directors, substantial shareholders or other connected persons of our Company or any of our subsidiaries or their respective associates have been granted options under the Pre-IPO Share Option Scheme.

Below is a list of grantees who have been granted the options under the Pre-IPO Share Option Scheme:

Employees of our Group

No.	Name of Grantee	Residential address	Position of the Grantee in Group	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
1	Mr. Siu Man Hei	Flat A, 22/F Skylight Tower 64 Bonham Road Hong Kong	Executive Director and Chief Executive Officer of our Company	10,032,000	0.880%
2	Mr. Pang Hoi Fung	Flat 7, 12/F, Block A Sun Kwai Hing Garden Kwai Chung New Territories Hong Kong	Director of Projects of SLDL	1,299,600	0.114%
3	Mr. Ng Chung Kwan	Room C, 16/F, Block 10 Chi Fu Fa Yuen Pokfulam Hong Kong	Director of Projects of SLDL	1,881,000	0.165%
4	Mr. Chong Chiu Fung	Room A, 15/F Mei Foo Sun Chuen No. 76 Broadway Kowloon Hong Kong	Chief Creative Officer of SLDL	1,675,800	0.147%
5	Ms. Yeung Wing Kan	Flat L, 3/F, Block 1 Affluence Garden Tuen Mun New Territories Hong Kong	Design Director	524,400	0.046%
6	Mr. Ma Ming Hing	Flat G, 6/F Block 17 Laguna City Lam Tin Kowloon Hong Kong	Design Director	205,200	0.018%
7	Mr. Lam Wai Hang	Flat A, 31/F Block 12 Hoi Fung Mans Riviera Gardens Tsuen Wan New Territories Hong Kong	Design Director	604,200	0.053%
8	Mr. Li Jia	Room 402 No. 19 of No. 399 Long Chang Bei Road Baoshan District Shanghai PRC	Design Director	2,975,400	0.261%

No.	Name of Grantee	Residential address	Position of the Grantee in Group	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
9	Mr. Yang Li	Room 605, Door 2 Block 13 No. 298 Shao Shan Bei Road Yuhua District Changsha Hunan Province PRC	Design Director	1,048,800	0.092%
10	Mr. Hu Wei	Room 520 No. 23 of No. 750 Long Hang Dong Road Minhang District Shanghai PRC	Design Director	3,705,000	0.325%
11	Mr. Huang Qisheng	No. 7 Xin Feng Huang Wu Xiang Haizhu District Guangzhou Guangdong Province PRC	Design Director	1,824,000	0.160%
12	Mr. Wu Yuheng	Room 601, Door 1 No. 2 Sha Yuan Wu Street North Haizhu District Guangzhou Guangdong Province PRC	Design Director	1,140,000	0.100%
13	Mr. Li Houfeng	Room 504 No. 60 Dong Hu Xi Road Yue Xiu District Guangzhou City Guangdong Province PRC	Design Director	1,778,400	0.156%
14	Mr. Cai Qianming	Flat B, 16th Floor Waterloo Heights Garden No. 3 Man Wan Road Kowloon Hong Kong	Design Director	1,459,200	0.128%
15	Ms. Chwe Shuk Fong	Room 2602 Louisa Tower 79 Kung Lok Road Kwun Tong Kowloon Hong Kong	Art Director of Steve Leung Lifestyle	250,800	0.022%

No.	Name of Grantee	Residential address	Position of the Grantee in Group	Number of underlying Shares subject to option	Approximate percentage of shareholding after completion of the Global Offering
16.	Ms. Li Weiran	Room 303 No. 92-4 Zhan Tang Road Yue Xiu District Guangzhou City Guangdong Province PRC	Design Director	79,800	0.007%
Total				<u>30,483,600</u>	<u>2.674%</u>

Options to subscribe for an aggregate of 30,483,600 Shares were granted under the Pre-IPO Share Option Scheme immediately before the completion of the Capitalisation Issue and the Global Offering. Assuming an Offer Price HK\$0.88 per Share, being the midpoint of the proposed Offer Price range of HK\$0.71 to HK\$1.05 per Share as stated in this prospectus and calculation stated in the table above, the options granted under the Pre-IPO Share Option Scheme represent 2.674% of our enlarged share capital as the Listing Date (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme). Assuming all options granted under the Pre-IPO Share Option Scheme are exercised in full, the dilutive effect on the shareholding and earnings per Share of our Shareholders would be approximately 2.604%.

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

E. SHARE OPTION SCHEME

Summary of the terms of the Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 11 June 2018 (the “**Adoption Date**”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose of the Share Option Scheme and eligibility

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option (as defined below) to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the Listing Date subject to the following conditions having been fulfilled:

- (a) the passing of an ordinary resolution by the shareholders of our Company for the approval and adoption of the Share Option Scheme and authorisation be given to our Directors to grant Options and to allot, issue and deal with Shares under the Share Option Scheme;
- (b) the approval of the Listing Committee for the listing of and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (c) the obligations of the underwriters under the Underwriting Agreement(s), if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the conditions referred to the above are not satisfied within six calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith determine;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

3. Administration

Subject to the fulfilment of the conditions and the termination provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry of the Share Option Scheme, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties. The Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

4. Who may join

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”);
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;

- (c) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (d) a direct or indirect shareholder of any member of our Group;
- (e) a supplier of goods or services to any member of our Group;
- (f) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

(the persons referred above are the “**Eligible Persons**”).

5. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10 per cent. of our Shares in issue as at the Listing Date (i.e. 114,000,000 Shares) (the “**Scheme Mandate Limit**”) provided that:

- (a) our Company may at any time as the Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10 per cent. of the Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules; and

- (b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

Notwithstanding paragraph 5(a) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30 per cent. of our Shares in issue from time to time.

6. *Maximum entitlement of each participant*

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates or his associates (if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

The maximum numbers in respect of which Options may be granted shall be adjusted in such manner as the auditors of our Company (the “**Auditors**”) shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of our Company in accordance with paragraph 22 whether by way of capitalisation of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the number of our Shares but shall not in any event exceed the limits imposed by the Listing Rules.

7. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine provided that:

- (a) no Options shall be granted under the Share Option Scheme after the termination of the Share Option Scheme in accordance with paragraph 20;
- (b) no Options shall be granted if our Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to our Company;
- (c) no Options shall be granted if the grant would result in a breach by our Company or our Directors of relevant laws or regulations (including those relating to securities); and
- (d) any Option, once issued, shall not be reissued under the Share Option Scheme.

8. Granting Options to Connected Persons

Subject to the terms in the Share Option Scheme, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an Option).

Where any grant of Options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

- (b) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders, with such person, his associates and all core connected persons of our Company (as defined in the Listing Rules) abstaining from voting in favour of such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director or any of their respective associates.

If in accordance with the terms of the Share Option Scheme, the Board determines to offer the grant of an Option to an Eligible Person, the Board shall forward to the relevant Eligible Person an offer letter specifying:

- (i) the Eligible Person's name, address and occupation;
- (ii) the offer date;
- (iii) the Acceptance Date (as defined below);
- (iv) the number of Shares in respect of which the Option is offered;
- (v) the subscription price and the manner of payment of the subscription price of the Shares on and in consequence of the exercise of the Option;
- (vi) how the expiry date in relation to that Option is ascertained;
- (vii) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in “– E. Share Option Scheme – Summary of the terms of the Share Option Scheme – 9. Offer period and number accepted”;
- (viii) the method of exercise of the Option which shall, unless the Board otherwise determines, as set out in “– E. Share Option Scheme – Summary of the terms of the Share Option Scheme – 14. Exercise of Option”; and

- (ix) such other terms and conditions relating to the offer of the Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the rules and procedures applicable to the Share Option Scheme and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

9. Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in this paragraph 9. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Restriction on the time of grant of Options

The Board shall not offer the grant of any Option to any Eligible Person after inside information has come to its knowledge, until such inside information has been announced pursuant to the requirements of the Listing Rules or during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s 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 our Company to publish an announcement of 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.

11. Vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of our Shares to which the Option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the Option can be exercised.

12. Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.0.

13. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (b) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

14. *Exercise of Option*

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the period, in respect of an Option, commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the “**Commencement Date**”) and expiring on such date of the expiry of the Option as our Board may in its absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme (the “**Expiry Date**”) (the “**Option Period**”) in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from the auditors of our Company pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the number of Shares which may fall to be issued by our Company.
- (iii) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the Option Period, provided that:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee’s entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

- (b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;
- (c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;
- (d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or on the grounds that he has been guilty of serious misconduct or other culpable reason (“**Culpable Termination**”), his Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, his Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive’s Option has lapsed pursuant to this paragraph 14(iii)(e) shall be final and conclusive;

- (f) if a grantee being:
 - (i) an executive Director ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or
 - (ii) a non-executive Director ceases to be a director:
 - (1) by reason of retiring pursuant to the Articles and who notifies our Company that he is not offering himself for re-election at our Company's annual general meeting ("**Non-Executive Director Retirement**"), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or
 - (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;
- (g) if:
 - (i) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
 - (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

his Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (g) shall be final and conclusive;

- (h) if a grantee (being a corporation):
 - (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
 - (ii) has suspended, ceased or threatened to suspend or cease business; or
 - (iii) is unable to pay its debts; or
 - (iv) otherwise becomes insolvent; or
 - (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of our Board is material; or
 - (vi) commits a breach of any contract entered into between the grantee or its associate and any member of our Group,

its Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that

the grantee's Option has lapsed pursuant to this paragraph (h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or
 - (iii) has been convicted of any criminal offence involving his integrity or honesty; or
 - (iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group,

his Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Option has lapsed pursuant to this paragraph (i) for breach of contract as aforesaid shall be final and conclusive;

- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise his Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:

(i) the Option Period;

(ii) the period of two months from the date of such notice; or

(iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (k), all Options outstanding at the expiry of the relevant period referred to in this paragraph (k) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with our Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

(l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

15. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

16. Duration

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

17. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the period referred to in paragraph 14(iii) above;
- (c) subject to paragraph 14(iii)(I), the date of the commencement of the winding-up of our Company;
- (d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;

- (e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph 14(iii)(h) or 17(d); or
- (f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

18. Reorganisation of capital structure

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the number of Shares, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors of our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (c) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the auditors of our Company in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on our Company and the grantees in the absence of manifest error. The costs of the auditors of our Company shall be borne by our Company.

If there has been any alteration in the capital structure of our Company as referred to in this paragraph, our Company shall, upon receipt of a notice from the grantee in accordance with paragraph 14(i), inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made pursuant to the certificate of the auditors of our Company obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors of our Company to issue a certificate in that regard in accordance with this paragraph.

19. Cancellation of Options

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of paragraph 21 or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to our Board for the Option to be cancelled; or
- (c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

20. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

21. Transferability

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 interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

22. Alteration

The Share Option Scheme may be altered in any respect by a resolution of our Board subject to that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by the Board pursuant to paragraph 3 to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid provisions.

23. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the auditors of our Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

24. Miscellaneous

- (a) Our Company shall bear the costs of establishing and administering the Share Option Scheme (including the costs of the auditors of our Company).
- (b) A grantee shall be entitled to inspect copies of all notices and other documents sent by our Company to its members at the same time or within a reasonable time of such notices or documents being sent, which shall be made available to him during normal office hours at the principal office of our Company in Hong Kong.
- (c) Any notices, documents or other communication between our Company and a grantee shall be in writing and may be sent by prepaid post or by personal delivery to, in the case of our Company, its principal office in Hong Kong and, in the case of the grantee, his address in Hong Kong as notified to our Company from time to time.
- (d) Any notice or other communication served:
 - (i) by our Company shall be deemed to have been served 24 hours after the same was put in the post or if delivered by hand, when delivered; and
 - (ii) by the grantee shall not be deemed to have been received until the same shall have been received by our Company.
- (e) All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in Cayman Island or elsewhere and a grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. By accepting an offer or exercising his Option, the grantee thereof is deemed to have represented to our Company that he has obtained all such consents. A grantee shall indemnify our Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which our Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the grantee to obtain any necessary consent or to pay tax or other liabilities referred therein. Our Company shall not be responsible for any failure by a grantee to obtain any such consent or for any tax or other liability to which a grantee may become subject as a result of his participation in the Share Option Scheme.

- (f) A grantee shall pay all taxes and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.
- (g) The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company directly or indirectly or give rise to any cause of action at law or in equity against our Company.
- (h) The Share Option Scheme shall not form part of any contract of employment between our Company or any of its subsidiaries and any Executive and the rights and obligations of any Executive under the terms of his office or employment shall not be affected by his participation in it and the Share Option Scheme shall afford such an Executive no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

25. *Governing law*

The Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.

F. OTHER INFORMATION

I. Estate duty, tax and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) in connection with, among others, (i) certain estate duty which might be payable or recovered against any members of our Group by virtue or under certain provisions of the Estate Duty Ordinance (Chapter III of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong; and (ii) any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which dealings in our Shares first commence on the Main Board (the “**Effective Date**”).

The Indemnifiers will however not be liable under the Deed of Indemnity for taxation to the extent that:

- (a) provision, reserve or allowance has been made for such taxation claims in the audited consolidated accounts of our Company for FY2015, FY2016 and FY2017 (the “**Accounts**”); or

- (b) the taxation falling on any of the members of our Group on or after the Effective Date except liability for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) prior to the Effective Date with the prior consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or after 1 January 2018; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created before Effective Date; or
- (c) such taxation liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such taxation liability; or
- (d) any provision or reserve made for the taxation in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case, the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excessive reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity as aforesaid and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or
- (e) the taxation liability arises in the ordinary course of business of our Group after 31 December 2017 up to and including the Effective Date; or
- (f) such claim arises or is incurred as a consequence of any retrospective changes in law or interpretation or practice coming into effect after the Effective Date or such claim arises or is increased by an increase in rates in taxation after the Effective Date with retrospective effect; or

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Mr. Steve Leung and Sino Panda have also entered into the SL Deed of Indemnity, given indemnities as our Controlling Shareholders under the Deed of Indemnity on a joint and several basis in favour of our Company (for ourselves and as trustee for and on behalf of each of our subsidiaries) in connection with 30% (being the shareholding of Sino Panda in our Company as at the date of this prospectus) of, among others, (i) certain estate duty which might be payable or recovered against any members of our Group by virtue or under certain provisions of the Estate Duty Ordinance (Chapter III of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong; and (ii) any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the Effective Date.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares falling to be issued upon the exercise of the Over-allotment Option and upon the exercise of any options that are granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor has confirmed to the Stock Exchange that it is independent of our Company in accordance with Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees are approximately HK\$5.5 million and are payable by our Company.

4. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Dongxing Securities (Hong Kong) Company Limited	A corporation licensed by the SFC to carry out type I (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
An Xin Law Firm	Legal advisers as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Hogan Lovells	Legal advisers as to International Sanctions laws
Mr. Ng, Danny Pak Kin	Hong Kong barrister-at-law
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan	Independent industry consultants
Asset Appraisal Limited	Independent professional valuer

6. Consents of experts

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or legal opinion (as the case may be) and the references to its/her name included herein in the form and context in which it respectively appears.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

8. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company were approximately US\$2,174.0 and were paid by our Company.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Share registrars

The principal register of members will be maintained by Conyers Trust Company (Cayman) Limited in Cayman Islands and Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with and registered by, our Company's share registrar in Hong Kong and may not be lodged for registration with the principal share registrar in Cayman.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that:
- (i) since 31 December 2017 (being the date on which the latest audited consolidated financial statements of our Group was made up), there has been no material adverse change in our financial or trading position or prospects;
 - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (iii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

I. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms;
- (b) a copy of each of the material contracts referred to in “B. Further Information about our Business – I. Summary of material contracts” in Appendix IV; and
- (c) the written consents referred to in “F. Other Information – 6. Consents of experts” in Appendix IV.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Pinsent Masons at 50th Floor, Central Plaza, 18 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus (both days inclusive):

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company and its subsidiaries for FY2015, FY2016 and FY2017;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice issued by Conyers Dill & Pearman, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) the PRC legal opinions issued by An Xin Law Firm, the legal advisers to our Company as to PRC law, in respect of general matters and property matters;
- (h) the memorandum of advice issued by Hogan Lovells, the legal advisers to our Company as to International Sanctions laws;

- (i) the legal opinion issued by Mr. Ng, Danny Pak Kin, barrister-at-law, Hong Kong;
- (j) the Frost & Sullivan Report;
- (k) the valuation report prepared by Asset Appraisal Limited in respect of the continuing connected transactions of our Group;
- (l) the Pre-IPO Share Option Scheme;
- (m) the list of all the grantees who have been conditionally granted options to subscribe for the Shares under the Pre-IPO Share Option Scheme, containing all the details as required under the Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (n) the Share Option Scheme;
- (o) the material contracts referred to in “B. Further Information about our Business – I. Summary of material contracts” in Appendix IV;
- (p) the written consents referred to in “F. Other Information – 6. Consents of experts” in Appendix IV; and
- (q) the service contracts and letters of appointment referred to in “C. Further Information about our Directors and Substantial Shareholders – 2. Directors’ service contracts” in Appendix IV.

