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**Application Proof**

**Sanbase Corporation Limited**

莊皇集團公司

(the “Company”)

*(incorporated in the Cayman Islands with limited liability)*

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# Sanbase Corporation Limited

莊皇集團公司

(incorporated in the Cayman Islands with limited liability)

## [REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])

Number of Hong Kong [REDACTED] : [REDACTED] Shares (subject to [REDACTED])

Number of International [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and [REDACTED])

[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage fee of 1%, SFC transaction levy of 0.0027% and [REDACTED] 0.005% (payable in full upon [REDACTED] in Hong Kong dollars, subject to [REDACTED])

Nominal Value : US\$0.001 per Share  
[REDACTED]

### Sole Sponsor



### China Everbright Capital Limited

## [REDACTED]

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The [REDACTED] is expected to be fixed by an agreement between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on the [REDACTED] which is expected to be on or about [REDACTED] (Hong Kong time) or such later date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), but in any event not later than [REDACTED] (Hong Kong time). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. [REDACTED] for the Hong Kong [REDACTED] Shares are required to pay, on [REDACTED], the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with [REDACTED] of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] finally determined is lower than HK\$[REDACTED] per [REDACTED] (the maximum [REDACTED]). If, for any reason, our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) are unable to reach an agreement on the [REDACTED] by [REDACTED] (Hong Kong time) or such later date as agreed by our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), the [REDACTED] will not proceed and will lapse. The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] range as stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) at any time prior to the morning of the last day for lodging [REDACTED] under the Hong Kong [REDACTED]. In such a case, notices of reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [sanbase.com.hk](http://sanbase.com.hk). Further details are set out in “Structure and Conditions of the [REDACTED]” and “[REDACTED]”.

**Prior to making an investment decision, prospective investors should carefully consider all the information set out in this document, including the risk factors set out in “Risk Factors” in this document.**

Prospective investors of the [REDACTED] should note that the obligations of the Hong Kong [REDACTED] under the Hong Kong [REDACTED] are subject to termination by the Sole Sponsor and/or the [REDACTED] (for itself and on behalf of the [REDACTED]) upon the occurrence of any of the events set forth in the section headed “[REDACTED] — Hong Kong [REDACTED] — Grounds for termination” in this document occurs at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED] (which is currently expected to be [REDACTED]). Further details of these termination provisions are set out in the section headed “[REDACTED]” in this document. It is important that prospective [REDACTED] refer to that section for further details.

The [REDACTED] have not and will not be registered under the [REDACTED] or any state [REDACTED] in the United States and may not be [REDACTED], 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 Regulations S of the U.S. Securities Act.

No information on any website forms part of this document.

[REDACTED]

## CHARACTERISTICS OF GEM

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*GEM has been positioned as a market designed to accommodate companies in which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.*

*Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.*

*The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on listed issuers.*

## EXPECTED TIMETABLE

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[REDACTED]

## EXPECTED TIMETABLE

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[REDACTED]

## EXPECTED TIMETABLE

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[REDACTED]

## CONTENTS

### IMPORTANT NOTICE TO INVESTORS

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*The information contained on our website at [sanbase.com.hk](http://sanbase.com.hk) does not form part of this document.*

	<u>Page(s)</u>
<b>Characteristics of GEM</b> .....	i
<b>Expected Timetable</b> .....	ii
<b>Contents</b> .....	v
<b>Summary</b> .....	1
<b>Definitions</b> .....	11
<b>Glossary of Technical Terms</b> .....	20
<b>Forward-looking Statements</b> .....	22
<b>Risk Factors</b> .....	23
<b>Information about this Document and the [REDACTED]</b> .....	32
<b>Directors and Parties Involved in the [REDACTED]</b> .....	36
<b>Corporate Information</b> .....	38
<b>Industry Overview</b> .....	40
<b>Regulatory Overview</b> .....	50

## CONTENTS

	<u>Page(s)</u>
<b>History, Development and Reorganization</b> .....	56
<b>Business</b> .....	61
<b>Directors and Senior Management</b> .....	91
<b>Substantial Shareholders</b> .....	99
<b>Relationship with Controlling Shareholders</b> .....	100
<b>Share Capital</b> .....	104
<b>Financial Information</b> .....	106
<b>Statement of Business Objectives and [REDACTED]</b> .....	131
<b>Underwriting</b> .....	138
<b>Structure and Conditions of the [REDACTED]</b> .....	146
<b>How to Apply for the [REDACTED]</b> .....	153
<b>Appendix I — Accountant’s Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Summary of the Constitution of the Company and Cayman Company Law</b> .....	III-1
<b>Appendix IV — Statutory and General Information</b> .....	IV-1
<b>Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection</b> .....	V-1

## SUMMARY

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*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].*

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

*Various expressions used in this summary are defined in the section headed “Definitions” in this document.*

## OVERVIEW

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. According to the Industry Report, we are the largest fit-out solutions provider for Grade A offices in Hong Kong in terms of market share in 2016 (market share is calculated based on revenue for the calendar year (i.e. January to December)). The majority of our projects involve providing fit-out solutions for the offices of prominent financial institutions, insurance companies and other multi-national companies. Our role in these fit-out projects entails the overall responsibility for project implementation, management, coordination, quality control and working closely with our clients and other professional consultants including interior designers, quantity surveyors and architects involved in the project, as well as the subcontractors engaged by us for the efficient renovation of the premises. In particular, we assist our clients in arranging the necessary labor and specialist expertise to meet various requirements, such as building services and safety requirements. Leveraging on our substantial project management experience and expertise which enables us to visualize the intent of design drawings and anticipate the functionality of designs, we provide technical know-how and modification advice to our clients and their interior designers to ensure that their renovation work conforms to the usage plans, as well as meets our clients’ needs and completes the projects on time.

Our revenue for the two years ended March 31, 2016 and 2017 were HK\$231.1 million and HK\$280.7 million, respectively, representing a growth of approximately 21.5%. Our profit for the two years ended March 31, 2016 and 2017 were HK\$18.6 million and HK\$24.1 million, respectively, representing a growth of approximately 29.6%. During the Track Record Period, we had a total of 187 projects with a total recognized revenue of HK\$511.8 million.

## SCOPE OF OUR SERVICES AND BUSINESS MODEL

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. Our role in these fit-out projects entails the overall project management, coordination and implementation of fit-out projects by engaging subcontractors from different trades for their services and labor, providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management. The actual fit-out works are performed by the subcontractors engaged by us. We are responsible to our clients for the workmanship quality and timely delivery of the entirety of the fit-out work for which we are engaged to manage and oversee.

The scope of our services differs depending on the needs of the clients and the area within the premises that requires fit-out services. When we undertake a project, the renovation work is carried out

## SUMMARY

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by the subcontractors engaged by us to perform a wide array of services under our supervision, such as mechanical and electrical services, electrical installation and general furniture and furnishing installation including ceiling and wall finishes.

During the Track Record Period, the main categories of our services include: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. During the Track Record Period, we obtained all of our bare shell fit-out projects through tendering process.

For bare shell fit-out, restacking, reinstatement, the revenue is recognized by way of revenue recognition method of “construction contracts” by reference to the stage of completion of the contracts. For maintenance and churn work, service revenue is recognized in the accounting period in which the services are rendered.

### **Bare shell fit-out**

Our bare shell fit-out work is, in general, undertaken with respect to the interior space of a vacant premise which usually only has basic flooring and plastered walls. In the context of commercial premises, bare shell fit-out work is often required before an occupier moves into a vacant office space. Depending on the particulars of the contract and our client’s requirements, the bare shell fit-out services we provide generally cover areas such as office spaces and the reception and lobby areas of our corporate and institutional clients. It involves carrying out fit-out work to bare shell office space such as installation of mechanical and electrical services, flooring, ceiling, and partitioning setting up of workstations, pantries, conference rooms and reception area. During the Track Record Period, revenue generated from bare shell fit-out projects constituted approximately 83.4% of our total revenue, as corporations tended to reduce operating costs by relocating to Grade A offices with lower rental fee, which in turn drove the demand for bare shell fit-out services.

### **Restacking**

Restacking involves upgrades and re-planning and modification work to the existing interior structure of the premise. It involves demolishing parts of the existing furnishings, adding furniture or replacing the existing ceiling, flooring or wall finishes. We also provide any necessary ancillary modifications to the electrical system and mechanical and electrical services, through our subcontractors. Restacking is generally done while the existing tenant is still in occupancy of the premise.

### **Reinstatement**

Before our clients move out from their existing offices to new locations, they are often required to restore the offices to their original states by the time they move out according to the terms of the their tenancy agreement with the landlords. Reinstatement work involves demolishing any additional moveable structures that were installed by the existing tenant, as well as restoring the mechanical and electrical services, ceiling, flooring and wall finishes according to the specifications set by the landlord.

### **Maintenance and churn work**

We also provide general office maintenance services such as minor repairs and general builder’s maintenance work to their office facilities, pest control and emergency call service for a pre-determined period. These are generally value-adding services we offer to our clients after the completion of their bare shell fit-out or restacking projects. Depending on the nature of work and arrangements with our clients, we are retained for our maintenance services at a monthly or annual fee, or according to a

## SUMMARY

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pre-determined contract sum. Churn work involves providing piecemeal repairs and modification work to our clients’ offices.

### PRICING

We adopt a cost-plus pricing model. We generally determine the appropriate mark-up, by taking into account our clients’ acceptable fee range and the market price. At the tendering stage, our quantity surveyor, site manager and project manager collaboratively determine the profit margin of a project based on various factors including potential costs structure, complexity of the project, human resources required, payment terms and completion schedule. We also take into account the pricing trends of subcontracting cost and previous pricing records for similar projects. By keeping our costs at a manageable level, we seek to price our service at a competitive fee point whilst maintaining our profitability.

### OUR CLIENT

The majority of our clients are prominent financial institutions, insurance companies and other multi-national companies. In line with market practice and due to the nature of our business, for our bare shell fit-out, reinstatement and restacking projects, our clients award contracts to us on a project-by-project basis and we do not enter into long-term contract with any of our clients for such matters.

For the two years ended March 31, 2016 and 2017, revenue derived from our five largest clients accounted for approximately 53.9% and 54.9% of our total revenue, respectively. For the same period, revenue derived from our largest client accounted for approximately 17.9% and 23.3% of our total revenue, respectively.

### OUR SUBCONTRACTORS

We primarily engage our subcontractors to perform a wide array of services under our supervision, such as mechanical and electrical services, electrical installation and general furniture and furnishing installation, including ceiling, flooring and wall finishes. Our subcontractors will be responsible for the procurement of raw materials relevant to their work stream. The materials that are procured by our subcontractors are delivered directly to the project site, thus avoiding the risk of damage while in storage as well as minimizing storage costs.

Our top five subcontractors for the Track Record Period are located in Hong Kong. For the two years ended March 31, 2016 and 2017, top five subcontractors accounted for approximately 35.6% and 39.5% of our total subcontracting charges.

### SALES AND MARKETING

As at the Latest Practicable Date, our sales and marketing efforts are led by Mr. Wong, who has over eight years of relevant experience. He is primarily responsible for devising short and long-term business goals, building client relationships, identifying business opportunities and maintaining up-to-date market information. Our project management team is responsible for liaising with our clients and collecting their feedback on an on-going basis. As the quality of our services is highly recognized by our clients, we also receive referrals for invitation to tender from our existing clients and project managers from time to time.

## SUMMARY

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### OUR INDUSTRY

The fitting-out industry is highly fragmented and intensely competitive, with a wide range of enterprises, consisting of both local, international brands and even one-man firm. The two main services provided by the fitting-out providers are design and fitting-out. According to the Industry Report, the market participants in the fitting-out industry for office premises generally compete with each other on quality of service, brand and reputation, economies of scale and connection with subcontractors. The top three fitting-out solution providers for office premises had a combined market share of approximately 8.11% in the fitting-out industry for office premises in Hong Kong in 2016. The market share of our Group in the fitting-out industry for office premises in Hong Kong was approximately 2.98% in 2016. For details, please see the section headed “Industry Overview”.

### COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe we have the following competitive strengths that differentiate us from our competitors:

- Strong and well-established reputation and proven track record as an interior fit-out solutions provider for Grade A offices in Hong Kong
- Strong relationships with our existing clients and our ability to attract new clients
- Management and execution experience and expertise in fit-out projects for Grade A offices
- Emphasis on quality control, occupational health and safety and environmental protection
- Experienced and efficient management team and key personnel

We are committed to further expanding our scale of business and strengthening our market leading position in the Grade A offices fit-out industry in Hong Kong. We plan to accomplish our goal through the following strategies:

- Further strengthen our market leading position in the fit-out industry in Hong Kong
- Expand our project management and client care team
- Continue to enhance our project implementation system and develop new management system and technology
- Pursue suitable acquisition, partnership and investment opportunities

### MAJOR RISK FACTORS

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

- We depend on our subcontractors to carry various trade of work and bear the risks associated with fluctuation in subcontracting costs, substandard performance and instability of their operations
- Our Group’s business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular
- Most of our revenue is derived from contracts awarded through competitive tendering and the contracts are not recurring in nature. Our Group’s business depends on its success on project tenders

## SUMMARY

- We determine the tender price based on our estimate of the time and costs involved, which may not be accurate. Any material deviation may lead to cost overrun or even losses in our projects
- Our liquidity and financial position may be adversely affected if we cannot receive progress payments or retention money in full in time or at all
- Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected
- If we fail to meet a specified standard, we may have to incur additional costs to remedy the defect for our clients, and our reputation and business could suffer
- Fatal accidents may occur and our failure to implement construction and building measures and safety procedures may lead to breach of laws or occurrence of personal injuries or property damages
- We provide surety bonds backed by cash collateral in the course of our business operations which could expose our Group to possible loss

## OUR CONTROLLING SHAREHOLDERS

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

Name of Shareholder	Capacity/ Nature of Interest	Number of underlying Shares (Note 1)	Percentage of shareholding
Madison Square (Note 2)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong (Note 2)	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. Hui Man Yee, Maggie (Note 3)	Interest of spouse	[REDACTED]	[REDACTED]

Note:

1. The letter L denotes the entity/ person’s long position in the Shares.
2. Shares in which Mr. Wong is interested in consist of [REDACTED] Shares held by Madison Square, a company wholly owned by him, in which Mr. Wong is deemed to be interested under the SFO.
3. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong, is deemed to be interested in the [REDACTED] Shares held by Mr. Wong, through his controlled corporation, Madison Square, pursuant to the SFO.

## SUMMARY

### OUR FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, our combined statement of comprehensive income. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended March 31,		
	2016	% change	2017
	HK\$'000		HK\$'000
<b>Revenue</b> .....	<b>231,124</b>	<b>21.5</b>	<b>280,670</b>
Cost of sales .....	(201,415)	21.5	(244,687)
<b>Gross profit</b> .....	<b>29,709</b>	<b>21.1</b>	<b>35,983</b>
Administrative expenses .....	(7,429)	(4.6)	(7,085)
<b>Profit before income tax</b> .....	<b>22,280</b>	<b>29.7</b>	<b>28,898</b>
Income tax expense .....	(3,676)	30.5	(4,798)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b> .....	<b>18,604</b>	<b>29.5</b>	<b>24,100</b>

### Revenue

Our revenue for the years ended March 31, 2016 and 2017 was HK\$231.1 million and HK\$280.7 million, respectively.

We generate our revenue principally from projects where we provide fit-out solutions. During the Track Record Period, our revenue from provision of our services was mainly derived from five types of projects: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance; and (v) churn work. For further details on revenue recognition, please refer to the section headed “Business” in this document, and the Accountant’s Report set out in Appendix I to this document.

The following table sets forth the breakdown of our revenue by type of projects:

	For the year ended March 31,			
	2016	% of revenue	2017	% of revenue
	HK\$'000		HK\$'000	
Bare shell fit-out .....	211,142	91.4	215,822	76.9
Restacking .....	5,664	2.5	26,505	9.4
Reinstatement .....	3,938	1.7	22,270	7.9
Maintenance .....	1,592	0.6	1,781	0.7
Churn work .....	8,788	3.8	14,292	5.1
<b>Total</b> .....	<b>231,124</b>	<b>100.0</b>	<b>280,670</b>	<b>100.0</b>

During the Track Record Period, our total revenue was predominantly contributed by our projects for Grade A offices primarily due to our strategy to focus on the Grade A offices market.

## SUMMARY

The following table sets forth the breakdown of our revenue by use of premises:

	For the year ended March 31,			
	2016	% of	2017	% of
	HK\$'000	revenue	HK\$'000	revenue
Commercial Offices				
- Grade A offices .....	195,917	84.8	247,947	88.3
- Other Commercial offices .....	1,797	0.8	5,885	2.1
Subtotal .....	197,714	85.6	253,832	90.4
Others .....	33,410	14.4	26,838	9.6
<b>Total</b> .....	<b>231,124</b>	<b>100.0</b>	<b>280,670</b>	<b>100.0</b>

### Gross profit

Our gross profit for the years ended March 31, 2016 and 2017 was HK\$29.7 million and HK\$36.0 million, respectively, representing a gross profit margin of 12.9% and 12.8% for the same period, respectively.

### Profit and total comprehensive income attributable to owners of the Company

Our profit and total comprehensive income attributable to owners of the Company for the years ended March 31, 2016 and 2017 was HK\$18.6 million and HK\$24.1 million, respectively, representing a net profit margin of 8.0% and 8.6% for the same period, respectively.

### Key statement of financial position items

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Non-current assets .....	83	103
Current assets .....	86,632	103,595
Total assets .....	86,715	103,698
Total equity .....	32,059	35,149
Current liabilities .....	54,656	68,549
Net current assets .....	31,976	35,046
Total equity and liabilities .....	86,715	103,698

### Key cash flow items

	Year ended March 31,	
	2016	2017
	HK\$'000	HK\$'000
Net cash generated from operating activities .....	19,563	8,796
Net cash used in investing activity .....	(69)	(57)
Net cash used in financing activity .....	(2,400)	(6,400)
Net increase in cash and cash equivalents .....	17,094	2,339
Cash and cash equivalents at beginning of year .....	376	17,470
Cash and cash equivalents at end of year .....	17,470	19,809

## SUMMARY

### Key financial ratio

	As at March 31,	
	2016	2017
	%	%
<b>Profitability ratios</b>		
Gross profit margin <sup>(1)</sup> .....	12.9	12.8
Net profit margin <sup>(2)</sup> .....	8.0	8.6
Return on equity <sup>(3)</sup> .....	58.0	68.6
Return on total assets <sup>(4)</sup> .....	21.5	23.2
	As at March 31,	
	2016	2017
	times	times
<b>Liquidity ratios</b>		
Current ratio <sup>(5)</sup> .....	1.6	1.5
Quick ratio <sup>(6)</sup> .....	1.6	1.5
<b>Capital adequacy ratio</b>		
Gearing ratio <sup>(7)</sup> .....	Nil	Nil

#### Notes:

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

Please refer to the section headed “Financial Information — Key financial ratios” in this document for further details.

### RECENT DEVELOPMENT

Our business model, revenue structure and cost structure remained unchanged since March 31, 2017. Our business maintains a stable growth and is in line with our historical record.

As at the Latest Practicable Date, we had a total of 43 projects on hand with total contract sum of approximately HK\$117.3 million. The majority of these projects are for Grade A offices in Hong Kong. In May 2017, we are selected as one of the main contractors of the approved vendor list of Client HB for the provision of fit-out services to certain commercial, residential and retail premises on a framework arrangement basis for a minimum of two years.

Our Directors confirm that, save for the one-off [REDACTED] described under the paragraph headed “[REDACTED]” below, there had been no material adverse change in our financial, operational

## SUMMARY

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or trading position or prospects since March 31, 2017, being the date of our latest audited financial results as set out in the Accountant’s Report in Appendix I to this document, up to the date of this document. Please refer to the relevant disclosure set out in note 23 in the Accountants’ Report included in Appendix I to this document for events that took place subsequent to March 31, 2017.

### [REDACTED]

We incur [REDACTED] in connection with the [REDACTED], which include professional fees, [REDACTED] and other fees and expenses. Total expenses in relation to the [REDACTED] are estimated to be approximately HK\$21.9 million (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] and assuming the [REDACTED] is not exercised). Approximately HK\$ 14.8 million of the [REDACTED] was charged to our profit and loss account for the year ended March 31, 2018 and approximately HK\$ 7.1 million will be capitalized to equity for the year ended March 31, 2018.

In view of the above, our Directors are of the view that the one-off [REDACTED], which are nonrecurring in nature, will have a material adverse effect on the financial results of our Group for the year ending March 31, 2018. We wish to emphasize that the aforesaid amount of [REDACTED] is a current estimate for reference only and the final amount to be recognized in our consolidated statement of comprehensive income for the year ending March 31, 2018 which will be subject to adjustments based on audit and changes in variables and assumptions.

### DIVIDEND

For the year ended March 31, 2016, Sanbase Interior declared and distributed dividends of HK\$2.4 million and HK\$2.4 million, respectively, to our then shareholders. For the year ended March 31, 2017, Sanbase Interior declared and distributed dividends of HK\$21.4 million and HK\$6.4 million, respectively, to our then shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. For details of our declared dividend and dividend policy, please see the section headed “Financial Information — Dividend and Dividend Policy” in this document.

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

### FUTURE PLAN AND [REDACTED]

Our Group estimates the net [REDACTED] from the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range and after deducting the [REDACTED] and related expenses, will be [REDACTED] (assuming the [REDACTED] is not exercised).

We plan to apply these net [REDACTED] for the following purposes:

- approximately [REDACTED] of the net [REDACTED] or approximately [REDACTED] will be used for the project execution and start-up costs for our projects, such as obtaining surety bonds and settling payments to the necessary subcontractors and suppliers, particularly at the beginning stage of our projects;

## SUMMARY

- approximately [REDACTED]% of the [REDACTED] or approximately [REDACTED] million, for recruiting high caliber and experienced managers and supervisors for the expansion of our project teams;
- approximately [REDACTED]% of the [REDACTED] or approximately [REDACTED] million, for revamping our project management and execution protocol; and
- approximately [REDACTED]% of the [REDACTED] or approximately [REDACTED] million, for additional working capital and other general corporate purposes.

For details of our [REDACTED], please see the section headed “Statement of Business Objectives and [REDACTED]” in this document.

### [REDACTED] STATISTICS

[REDACTED] upon [REDACTED]	HK\$[REDACTED] to HK\$[REDACTED]
Number of [REDACTED]	[REDACTED] Shares
[REDACTED] structure	[REDACTED] Shares for the [REDACTED] and [REDACTED] Shares for the [REDACTED]
[REDACTED] per Share	HK\$[REDACTED] to HK\$[REDACTED]
Board lot	[REDACTED] Shares
[REDACTED]	HK\$[REDACTED] to HK\$[REDACTED]

*Note:*

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

## DEFINITIONS

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*Unless the context otherwise requires, the following expressions have the following meanings in this document.*

“Accountant’s Report” the accountant’s report on our Group for the two years ended March 31, 2017 prepared by the Reporting Accountant as set out in Appendix I to this document

[REDACTED]

“Articles” or “Articles of Association” the articles of association of our Company conditionally adopted on [●] 2017 to take effect from the [REDACTED] and as amended, supplemented and otherwise modified from time to time, a summary of which is set out in Appendix III to this document

“Board” or “Board of Directors” the board of Directors

“business day” any day (other than a Saturday, a Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business to the public

“BVI” the British Virgin Islands

[REDACTED]

## DEFINITIONS

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“Client AC”	a subsidiary of a French multi-national insurance firm, which provides a wide range of life, health, property and casualty insurance products and services
“Client B”	a subsidiary of a British multi-national bank and financial services group, which provides a full-spectrum of banking, financial and investment services
“Client CL”	a company listed on the Stock Exchange and the holding company of a Chinese insurance group, which provides a wide range of insurance products
“Client CZ”	a group company of a German multi-national banking and financial services company
“Client HB”	a multinational banking and financial services group based in London
“Client HI”	a company listed on the Stock Exchange and the holding company of a Chinese financial group, which provides a wide range of financial services including, among others, brokerage services on securities, investment banking, futures and asset management
“Client HS”	an international school in Hong Kong
“Client J”	a group company of an American financial and professional services group specializing in commercial real estate services and investment management
“Client P”	a group company of a British multi-national life insurance and financial services group, which provides a wide range of insurance products
“Client RS”	an architecture, interior design and engineering firm based in China
“Client S”	a group company of a British multi-national asset management group
“Client SG”	a group company of a French multinational banking and financial services group
“Client ST”	a Hong Kong design-and-build main contractor with interior design, engineering and MEP system consultancy capabilities
Client UP	a subsidiary of a Swiss private bank and wealth management group
“Client V”	subsidiary of an American investment management company, which provides a wide range of investment products such as mutual funds and exchange-traded funds
“Client Z”	a group company of a Swiss insurance group

## DEFINITIONS

“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Company”, “our Company”, “we”, “us” or “our”	Sanbase Corporation Limited, a company incorporated on March 24, 2017 under the laws of the Cayman Islands as an exempted company with limited liability, and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which was subsequently assumed by it
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and for the purpose of this document, refers to Mr. Wong, Ms. Hui Man Yee, Maggie and Madison Square
“core connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“Crowe Horwath”	Crowe Horwath (HK) Consulting & Valuation Limited, our industry consultant
“Deed of Indemnity”	a deed of indemnity dated [●] 2017 entered into by our Controlling Shareholder in favor of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in Statutory and General Information — F. Other information — 9. Estate duty, tax and other indemnity in Appendix IV to this document
“Deed of Non-competition”	a deed of non-competition undertaking dated [●] 2017 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for and on behalf of each of its subsidiaries), particulars of which are set out in “Relationship with Controlling Shareholders — Deed of non-competition” in this document
“Director(s)”	the director(s) of our Company

## DEFINITIONS

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[REDACTED]

“Industry Report”	the industry report dated [●] 2017 issued by Crowe Horwath, details of which are set out in “Industry Overview”
“GAAP”	generally accepted accounting principals
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time

[REDACTED]

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
“HKAS”	Hong Kong Accounting Standards

[REDACTED]

“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants

[REDACTED]

“HK\$”, “HKD” and “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

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[REDACTED]

“Independent Third  
Party(ies)”

an individual(s) or a company(ies) who or which is/are not  
connected person(s) of our Company

[REDACTED]

## DEFINITIONS

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[REDACTED]

“J&J Partner” J&J Partner Investment Group Limited (旭傑有限公司), a BVI business company with limited liability incorporated in the BVI on March 23, 2017 and wholly owned by Mr. Wong Kin Kei

“Latest Practicable Date” June 30, 2017, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein

[REDACTED]

“Macau” Macau Special Administrative Region of the PRC

“Madison Square” Madison Square International Investment Limited (世曼有限公司), a BVI business company with limited liability incorporated in the BVI on March 23, 2017 and wholly owned by Mr. Wong

“Memorandum” or “Memorandum of Association” the memorandum of association of our Company as amended from time to time

“MOP” Macau Pataca, the lawful currency of Macau

“Mr. Wong” Mr. Wong Sai Chuen (王世存), our chairman of the Board, executive Director and chief executive officer, a Controlling Shareholder

[REDACTED]

## DEFINITIONS

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[REDACTED]

“PRC” the People’s Republic of China, which for the purpose of this document excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

[REDACTED]

“document” this document being issued in connection with the [REDACTED]

“Pure Mind” Pure Mind Group Limited, a BVI business company with limited liability incorporated in the BVI on May 25, 2012 and wholly owned by Mr. Wong

“Regulation S” Regulation S under the U.S. Securities Act

“Reorganization” the corporate reorganization arrangements undergone by our Group in preparation for the [REDACTED], details of which are set out in “History, Development and Reorganization” in this document

“Reporting Accountant” PricewaterhouseCoopers, the reporting accountant of our Group

“Sanbase Interior” Sanbase Interior Contracting Limited, a limited liability company incorporated in Hong Kong on May 7, 2009 and an indirect wholly-owned subsidiary of our Company

“SFC” the Securities and Futures Commission of Hong Kong

“SFO” the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Share(s)” ordinary share(s) of US\$0.001 each in the share capital of our Company

“Shareholder(s)” the holder(s) of the Share(s)

“Share Option Scheme” the share option scheme conditionally approved and adopted by our Company on [●] 2017, the principal terms of which are summarized in “D. Share Option Scheme” in Appendix IV to this document

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## DEFINITIONS

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[REDACTED]

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“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”	the period comprising the two financial years ended March 31, 2017

[REDACTED]

“U.S.”	the United States of America
“USD”, “US\$” or “U.S. dollar(s)”	United States dollar, the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“%”	per cent
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*Unless otherwise specified, for the purpose of this document and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates:*

*US\$1.0 : HK\$7.8  
MOP1.0 : HK\$1.0*

*In this document, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “substantial shareholder” and “significant shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.*

## DEFINITIONS

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*If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail.*

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

## GLOSSARY OF TECHNICAL TERMS

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

“bare shell fit-out”	fit-out work for the interior space of a vacant premise which usually only has basic flooring and plastered walls
“CAGR”	Compound annual growth rate
“GDP”	gross domestic product
“GFA”	gross floor area
“Grade A office(s)”	office(s) which is/are modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available
“ISO”	the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO 9001”	an internationally recognized standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001”	an internationally recognized standard for the environmental management of businesses. It aims at recognizing the desirable behavior of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“MEP”	mechanical, electrical and plumbing
“OHSAS 18001”	an internationally recognized specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organization to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance

## GLOSSARY OF TECHNICAL TERMS

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“project sum”	the total value of a project, which includes the contract sum and any additional sum as a result of the variation orders requested by our client
“reinstatement”	the process of restoring the interior space of a premise to its original state
“restacking”	involves upgrades and modification work to the existing interior structure of the premise

## FORWARD-LOOKING STATEMENTS

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

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, 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 document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this document are qualified by reference to this cautionary statement.

## RISK FACTORS

*You should consider carefully all the information set out in this document 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 harm us and our Group’s business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the trading price of our Shares could decline and you may lose all or part of your investment.*

Our Group believes that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized in the following manner:

### **RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP**

**We depend on our subcontractors to carry various trades of work and bear the risks associated with fluctuations in subcontracting costs, substandard performance and instability of their operations**

For the two years ended March 31, 2016 and 2017, our subcontracting costs accounted for approximately 91.1% and 90.7% of our total cost of sales, respectively. Changes in subcontracting costs may be resulted from changes in costs of labor and materials or project-specific requirements. We may also suffer cost overrun or even suffer losses. Moreover, if a subcontractor fails to provide services as required under a contract for any reason, we could be required to source another subcontractor which cause delays or result in higher subcontracting costs than anticipated, which could impact contract profitability.

We rely on the timely and satisfactory performance of our subcontractors for the delivery of our services. We may not be able to rectify the substandard works delivered by our subcontractors or engage a replacement subcontractor in time or at all. Any material non-performance, delayed performance or substandard performance of our subcontractors could result in deterioration of the quality of our services or unexpected delays of our scheduled commitment dates or even our ability to complete the projects, which could in turn harm our reputation and potentially expose us to liability and damage claimed by our clients under the contracts.

There is a limited pool of subcontractors who have the necessary workmanship, experience and know-how to deliver high-quality work while adhering to a predetermined timeframe. The stability of operations of our major subcontractors which is beyond our control will also affect us. Any material disruptions to their operations due to natural or other causes could affect our procurement process and cause delays. If that occurs, the timely delivery of services under the contracts with our clients could be adversely affected.

**Our Group’s business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular**

Our business is project-based. Our fee collection and profit margin depends on various factors, such as the planned capital expenditure of the relevant clients, the terms of the work orders and contracts, the contract period, the efficiency of implementation of the work orders and contract, our ability to control the project cost and progress as expected and the general market conditions, some of which are beyond our control. In particular, we cannot assure that we will be able to maintain or improve our relationships with our major clients and they do not have long-term commitments with us. Any delay or decrease in number or contract value of projects obtained from our clients could have an adverse effect on our operations and profits. In addition, there is no assurance that we can enlarge our client base. As a result, our income flow may not be regular and there is no assurance that our estimation of the profitability of a

## RISK FACTORS

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project is accurate or that we can maintain the profitability of a project at a particular level. As such, our fee collection and profit margin may fluctuate and our historical performance may not be indicative of our future performance.

**Most of our revenue is derived from contracts awarded through competitive tendering and the contracts are not recurring in nature. Our Group’s business depends on its success on project tenders**

During the Track Record Period, we obtained approximately all of our bare shell fit-out, restacking and reinstatement projects through a competitive tender process and the revenue is not recurring in nature. The growth of our business depends on our ability to win the tender that we submit. For the two years ended March 31, 2016 and 2017, our tender success rate was approximately 52.2% and 62.7%, respectively. Our clients mix differs from year to year and our major clients for any particular year usually account for a significant portion of our revenue. For the two years ended March 31, 2016 and 2017, our largest client accounted for approximately 17.9% and 23.3% of our total revenue, respectively. For the same period, our top five clients accounted for approximately 53.9% and 54.9% of our total revenue, respectively. Our existing clients are not under any contractual obligation to give us first right for any future projects. In addition, our existing clients are not obliged to enter into contracts with us or engage our services for their subsequent projects and we need to undergo tender process again in order to be awarded future projects. We cannot assure you that that we will be successful our future tender with new clients.

**We determine the tender price based on our estimation of the time and costs involved, which may not be accurate. Any material deviation may lead to cost overrun or even losses in our projects**

We determine the tender price based on our estimated project costs plus a mark-up margin. We have to maintain the competitiveness of our pricing while maximizing our profit margin. If we perceive keen competition on a particular project, we may submit a more competitive tender price with a lower mark-up margin, thereby reducing its profitability. If the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavorable circumstances that take place during project implementation. On the other hand, if we try to cater for the unfavorable circumstances and set a higher mark-up margin, our tender may lose its competitiveness. There is no assurance that we will always be able to price our tender competitively, and failing to do so may cause us to lose the tender, thereby resulting in a decrease in the number of projects awarded to us which in turn would adversely affect our business and results of operations.

Generally, our contracts have a fixed and pre-determined contract sum throughout the contract period without any price adjustment mechanisms to accommodate any fluctuation in costs. As there is no assurance that the costs budgeted at the beginning of a contract will not be overrun during the contract period, we have to bear the risk of cost fluctuations from our end. Cost overrun may result from inaccurate estimation of costs, increase in cost of subcontracting, labor and materials, additional cost derived from rectification of work defects, adverse weather condition, change in the regulatory requirements and government policies, inflation and other unforeseen circumstances. Changes or disagreements on project execution such as, without limitation, workmanship and choice of materials may occur. Any of these factors may also give rise to delays in completion of a project or even unilateral termination of contract by our client due to unsatisfactory performance. If we are unable to control our costs within our estimates or recover the extra costs, our profit margin and results of operations may be adversely affected.

## RISK FACTORS

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**Our liquidity and financial position may be adversely affected if we cannot receive progress payments or retention money in full in time or at all**

We normally receive progress payments with reference to the percentage of works done or the reaching of specified milestones. Depending on the terms and conditions of the relevant contract, our clients pay us within 30 days after the presentation of our invoice. Payment to our suppliers are usually settled upfront before their delivery of materials, while for our subcontractors, we generally settle around 50% of the total of the payment before their rendering of service. This creates a higher demand for cash liquidity at the beginning stage of our projects. In addition, our clients generally hold 5% of the total contract sum as retention money, which is only released at the expiry of the defect liability period. There is no assurance that the financial position of our clients will remain solvent or that our clients will pay us the progress payments or the retention money on time in full or at all in the future. Any failure by our clients to make any payment on time or in full may have a material adverse effect on our liquidity position and our operating results.

**Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected**

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If we fail to timely complete a project in breach of our contractual obligations, we may be liable to compensate our client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for assembled products. As we typically receive payment under our contracts in stages based on project progress, any delay in the course of a project may postpone our receipt of anticipated payments which could have a material adverse effect on our cashflow position. Although during the Track Record Period and up to the Latest Practicable Date, we have been able to complete our projects within the timeframe and have not incurred penalties or additional costs as a result of delay in the completion of our projects, there is no assurance that such project delays will not happen in the future. Any failure on our part to timely complete a project could harm our reputation in the industry and hinder our ability to win future contracts and as a result, our reputation, business, financial condition and results of operation could be materially and adversely affected.

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

Our contracts typically require us to commit to standards such as safety or functional requirements. We may be required to rectify any defects under the terms of our contracts, which could require us to incur significant additional costs. Any such work defect could also harm our reputation, which could hinder our ability to win future contracts, and require us to record higher warranty provisions in the future. Moreover, a severe technical defect could lead to incidents of personal injuries or property damages, which could result in expensive and time-consuming litigation and damages payments. Although historically we did not fail to meet the specified technical standards for our work products having a material impact on us, there is no assurance that such failure will not occur in the future. If any of the foregoing events occur, our business, results of operations and financial conditions could be materially and adversely affected.

## RISK FACTORS

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### **Fatal accidents may occur and our failure to implement construction and building measures and safety procedures may lead to breach of laws or occurrence of personal injuries or property damages**

If we or our subcontractors fail to follow and adopt all the applicable construction and building measures and safety procedures, or comply with any laws, rules or regulations particularly in relation to health, safety and environmental matters, regardless of whether the violation is substantial or minor in nature, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be subject to claims for losses and damages if such violation causes personal injuries/death, damage to properties, fines or other remedial measures. If such events occur, our reputation, operations and hence our financial position will be adversely affected. If there is any change to such laws, rules or regulations applicable to us or our subcontractors, we may incur additional cost in complying with them, which in turn may adversely affect our profitability. Moreover, our subcontractors are subject to various laws, rules and regulations, such as laws, rules and regulations in relation to work site safety and illegal workers. There is no assurance that there will not be any violations by our subcontractors, whether substantial or minor in nature, of any laws, rules or regulations. If such violation occurs in the sites for which we are responsible as a main contractor and result in fines, claims or lawsuits, either associated with personal injuries, death or damages to properties against us or otherwise, our reputation, operations and hence our financial position could be adversely affected.

### **We provide surety bonds backed by cash collateral in the course of our business operations which could expose our Group to possible loss**

For certain of our projects, we are required to provide surety bonds issued by a bank or an insurance company backed by cash collateral in favor of our clients to secure our performance under the contracts. Large amount of cash withheld as collateral will adversely affect our liquidity position. If we fail to perform our obligations under the contracts, the bank or insurance company will compensate our clients up to the amount of the surety bonds on demand. We will then become liable to compensate the bank or insurance company, as the case may be, and our cash collateral may be seized. In such circumstances, our business, financial condition and results of operations will be adversely affected.

### **Our insurance policies may not be sufficient to cover liabilities arising from claims, work accident and litigation. The insurance premium payable by our Group may be increased**

Although we consider that our insurance coverage is in line with industry standard, we may receive claims in respect of various matters from our clients, subcontractors, workers and other parties concerned with the projects from time to time. As the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitrating authorities, the result of any of the outstanding claims may be unfavorable to us. There is no assurance that our current insurance will sufficiently protect us against all liabilities arising from such potential claims. In addition, there is no guarantee that our insurance premium, which is dependent on various factors such as the scope and contract sum of the project and our insurance claim records, will not increase in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceed the limits of our insurance coverage, or the insurance premium increases significantly, our business and financial condition will be materially and adversely affected.

### **Our success is dependent on the retention of key management personnel**

Our success and growth has largely been attributed to the contributions and experiences of our key management personnel and, in particular, their familiarity with our clients' culture and business. The executive Directors and most of the senior management have had a long history of working with our

## RISK FACTORS

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clients, subcontractors and materials suppliers and understand their needs and requirements. As competition for such personnel is intense, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

**There is a limited pool of qualified and high-quality candidates and any failure to retain and recruit qualified professionals may adversely affect our business and growth**

There is a limited pool of high-quality candidates who have the skills, know-how and experience required for our business. As the quality of our employees is key to our business, attracting and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operation and growth, which may increase our costs and reduce our profit margin. We cannot assure you that we will be able to retain our existing staff and recruit additional qualified professionals to support our future operations and growth. Any failure to do so may adversely affect our business and growth.

**Non-renewal of, or delay in obtaining the permits, licenses, approvals, certificates and qualifications may have a material adverse effect on our operations**

Various governmental or regulatory authorities require our subcontractors to hold certain permits, licenses, certificates and qualifications in order for us to carry on our business. However, these permits, licenses and certificates are subject to periodic review and renewal by the relevant government authorities. In addition, should there be any subsequent modifications of, or additions or new restrictions to the current compliance standards, it would impose an additional burden on us which may in turn adversely affect our business, financial condition and results of operations. There is no assurance that the relevant permits, licenses, approvals, certificates or qualifications can continue to be held or renewed or that there will not be any delay in obtaining all necessary permits, licenses, approvals, certificates and qualifications in the future. Non-renewal of, or delay in obtaining, these permits, licenses, approvals and certificates, and failure to maintain the qualifications, may have a material adverse effect on our business, financial condition and results of operations.

**Our business strategies and future plans may not be implemented successfully**

The successful implementation of our business strategies and plans mentioned in the “Statement of Business Objectives and [REDACTED]” section of this document depends on a number of factors including the availability of funds, competition and our ability to retain and recruit competent employees. Some of these factors are beyond our control and by nature, are subject to uncertainty. There is no assurance that such business strategies and plans can be implemented successfully. Any failure or delay in the implementation of any or all of these strategies and plans may have a material adverse effect on our profitability and financial prospects. In addition, we may come across other opportunities to expand our business and we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate funds for our business needs in a timely manner, we may not be able to fully implement our future plans effectively and successfully.

**We may be a party to various legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business**

We may be subject to claims for personal injury and property damage arising in connection with our projects. We may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or subcontractors, labor disputes, workers’ compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management’s attention away from the operation of our

## RISK FACTORS

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business. In addition, we may be involved in legal proceedings in foreign jurisdictions where our projects are located and court procedures in such jurisdictions with which we are not familiar. Legal proceedings in foreign jurisdictions may be more unpredictable because of our unfamiliarity with local laws, higher traveling expenses and other disadvantages. The legal proceedings to which we are a party or may in the future become a party may have a material adverse impact on our business.

### **Any future natural disaster, acts of God, outbreak of communicable diseases or any other epidemics in Hong Kong or globally may adversely affect our operational results**

Our business is subject to general economic and social conditions in the region where we operate. Natural disasters, epidemics and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the regions where we operate. Some regions and the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome, or SARS, or H5N1 avian flu. In April 2009, a human swine influenza also known as Influenza A (H1N1) broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the international and local economies. If in the future any of our employees are suspected of having SARS, H5N1 avian flu, H1N1 human swine flu or any other epidemic or any of our facility are identified as a possible source of spreading such epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. We may also be required to disinfect the affected properties and thereby suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our operational results. A recurrence of SARS or an outbreak of any other epidemics in Hong Kong, such as the H5N1 avian flu or the H1N1 human swine flu, may result in material disruptions to our operations and delays in meeting our clients' orders, which in turn could materially and adversely affect our business, financial condition and results of operations.

## **RISKS RELATING TO THE INDUSTRY**

### **Any deterioration in the prevailing market conditions in the fit-out industry in Hong Kong may affect our performance and financial condition**

All of our revenue was derived in Hong Kong during the Track Record Period. The future growth and level of profitability of the fit-out industry in Hong Kong depend on the continued availability of buildings and commercial premises. There are also many other factors affecting the fit-out industry in Hong Kong, such as periodic downturn in the economy as a whole, availability of skilled labor and general political and economic conditions in Hong Kong. Should there be a recession in the economy, deflation or any changes in the local political environment, as a result of which the demand for fit-out work starts to decline, our operations and profits could be adversely affected.

### **We operate in a fragmented and highly competitive market**

According to the Industry Report, the fit-out industry in Hong Kong is fragmented and highly competitive. We may face intense competition during the tender process, including significant downward pricing pressure, thereby reducing our profit margins. If such occurs, our profitability and results of operations will be adversely affected. If we fail to adapt effectively and efficiently to market conditions and client preferences or otherwise fail to provide a competitive tender, our potential client may turn to our competitors and our business may in turn be materially and adversely affected.

## **RISK FACTORS**

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### **Escalation of costs including labor and other costs may adversely affect our profit margin**

According to the Industry Report, there has been a steady growth of daily salary for all types of workers in the fit-out industry. It is expected that the number of fit-out projects will increase in the near future, leading to the increasing demand for skilled workers, leading to growing wages. In addition, The overall price trend of key fit-out materials rose steadily from 2012 to 2016, and this trend is expected to continue in the forecast years from 2017 to 2021. The increases in the labor costs and the costs of materials will result in an increase of our subcontracting costs and reduce our profitability.

### **Changes in existing laws, regulations and government policies, including those relating to environmental protection and labor safety, may cause us to incur additional costs**

Many aspects of our business operations are governed by various laws, regulations and government policies. The licensing requirements as well as environmental protection and labor safety requirements may change from time to time. We may not be able to comply with all these requirements in time or at all or we may need to incur substantial costs to be compliant, which will adversely affect our business operations.

### **RISKS RELATING TO THE [REDACTED] AND OUR SHARES**

#### **We may experience a deterioration in financial performance for the financial year ending March 31, 2018 which is mainly attributable to the [REDACTED]**

The financial results of our Group for the financial year ending March 31, 2018 would be affected by the non-recurring [REDACTED]. Based on the [REDACTED] of [REDACTED] (being the mid-point of the [REDACTED] range), the total expenses for the [REDACTED] are estimated to be approximately [REDACTED], of which approximately [REDACTED] is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity and approximately [REDACTED] is to be charged to profit or loss of our Group. The amount of [REDACTED] is a current estimate for reference only and the final amount to be recognized to the combined statements of profit or loss and other comprehensive income of our Group for the financial year ending March 31, 2018 is subject to changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the financial year ending March 31, 2018 would be significantly affected by the estimated [REDACTED] mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

#### **There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile**

Prior to the [REDACTED], there is no public market for the Shares. The [REDACTED] of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for raw materials, the liquidity of the market for the Shares, the general market sentiment could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED].

## **RISK FACTORS**

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### **Investors may experience dilution if our Group issues additional Shares in the future**

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

### **Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

### **Investors may experience difficulties in enforcing their shareholders’ rights because our Company was incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company was incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities Shareholders is set out in Appendix III to this document.

### **Future issues, [REDACTED] or sale of Shares may adversely affect the prevailing market price of the Shares**

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

### **Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon**

Certain facts, information, statistics, and data presented in the section headed “Industry Overview” in this document and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications, industry-related sources prepared by government officials or independent third parties and a market research report commissioned by us and prepared by Crowe Horwath, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted.

## RISK FACTORS

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However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

### **Our Group’s future results could differ materially from those expressed in or implied by the forward-looking statements**

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this document.

### **Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement**

Prior to the publication of this document, there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasize to potential investors that neither we nor any of the the Sole Sponsor, [REDACTED], our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “Professional Parties”) involved in the [REDACTED] has authorized the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorized by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the [REDACTED]. You should rely only on the information contained in this document and the [REDACTED].

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wong Sai Chuen	Flat B, 25/F, South Tower 3, Phase 2 Residence Bel-Air 38 Bel-Air Avenue Hong Kong	Chinese
Mr. Wong Kin Kei	Room 8C, 8/F, Pine Mansion 331 Prince Edward Road West Ho Man Tin Kowloon Hong Kong	Chinese
Ms. Hui Man Yee, Maggie	Flat B, 25/F, South Tower 3, Phase 2 Residence Bel-Air 38 Bel-Air Avenue Hong Kong	Chinese
Mr. Cheung Ting Pong	Flat D, 25/F, Block 9 Palatial Coast Siu Lam Tuen Mun New Territories Hong Kong	Chinese
<i>Independent Non-Executive Directors</i>		
Mr. Fan Chun Wah, Andrew	Unit A, 5/F, Lowrise 12 Mayfair By the Sea 1 Tai Po New Territories Hong Kong	Chinese
Mr. Wu Kam On, Keith	Flat D, 6/F, Tower 18 Mayfair By the Sea 1 23 Fo Chun Road Tai Po New Territories Hong Kong	Chinese
Mr. Pang Chung Fai, Benny	House 9, Repulse Bay Heights 3 Bellevue Drive Repulse Bay Hong Kong	Chinese

## **DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Sole Sponsor**

China Everbright Capital Limited  
24th Floor, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

**[REDACTED]**

**Legal advisors to our Company**

*as to Hong Kong law:*  
Wilson Sonsini Goodrich & Rosati  
Suite 1509, 15F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*as to Cayman Islands law:*  
Harney Westwood & Riegels  
3501 The Center  
99 Queen’s Road Central  
Central  
Hong Kong

Legal advisors to the Sole Sponsor and the  
**[REDACTED]**

**[REDACTED]**

**Reporting accountant**

PricewaterhouseCoopers  
22/F Prince’s Building  
Central  
Hong Kong

**[REDACTED]**

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## CORPORATE INFORMATION

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<b>Registered office</b>	4th Floor, Harbour Place 103 South Church Street, P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	1601-03, 05, 16/F, Loon Kee Building 267-275 Des Voeux Road Central Hong Kong
<b>Company secretary</b>	Ms. Li Tsz Man
<b>Authorized representatives</b>	Mr. Wong Sai Chuen  Mr. Cheung Ting Pong
<b>Compliance officer</b>	Mr. Wong Sai Chuen
<b>Audit committee</b>	Mr. Wu Kam On, Keith Mr. Fan Chun Wah, Andrew Mr. Pang Chung Fai, Benny
<b>Remuneration committee</b>	Mr. Pang Chung Fai, Benny Mr. Fan Chun Wah, Andrew Mr. Wu Kam On, Keith
<b>Nomination committee</b>	Mr. Fan Chun Wah, Andrew Mr. Wu Kam On, Keith Mr. Pang Chung Fai, Benny
<b>Compliance advisor</b>	TC Capital Group Suite 1903-4, 19/F Tower 6, The Gateway, Harbour City 9 Canton Road Kowloon Hong Kong

[REDACTED]

## CORPORATE INFORMATION

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**Principal bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
8/F Lower Block, Grand Millennium Plaza  
181 Queen’s Road  
Central  
Hong Kong

**Company website address**

[www.sanbase.com.hk](http://www.sanbase.com.hk)

## INDUSTRY OVERVIEW

*This section contains certain information which is derived from Government resources and the Industry Report prepared by an Independent Third Party. We believe that the sources of the information 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 or that any fact has been omitted that would render such information false or misleading. The Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Industry Report which may materially qualify or contradict the information in this section. The information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED] and no representation is given as to the accuracy of the Industry Report.*

### SOURCE OF INFORMATION

We commissioned Crowe Horwath, an independent industry consultant, to conduct a market analysis of and to provide a research report on, among other things, the fit-out industry in Hong Kong for the period from 2012 to 2021. Crowe Horwath provides independent and objective audit, tax, industry research and advisory services. Crowe Horwath received a total commission of HK\$300,000 for the preparation of the Industry Report. The payment of such amount was not conditional on our successful [REDACTED] or on the research findings of the Industry Report.

The Industry Report was prepared based on a top-down approach, utilised both primary and secondary research, and attempted to cross check each significant finding with multiple sources. Their primary research included site visits, management interviews and consultation with industry experts to verify information from third party sources and for data collection and cleansing, while their secondary research included internet research and articles, publications and knowledge base search. Any projections in the Industry Report were done utilising a mix of both qualitative and quantitative analysis. Whenever applicable, a set of historical data is used as a basis for its projections, and if necessary, adjustments are subsequently made for projection purposes and to ensure data relevancy and accuracy.

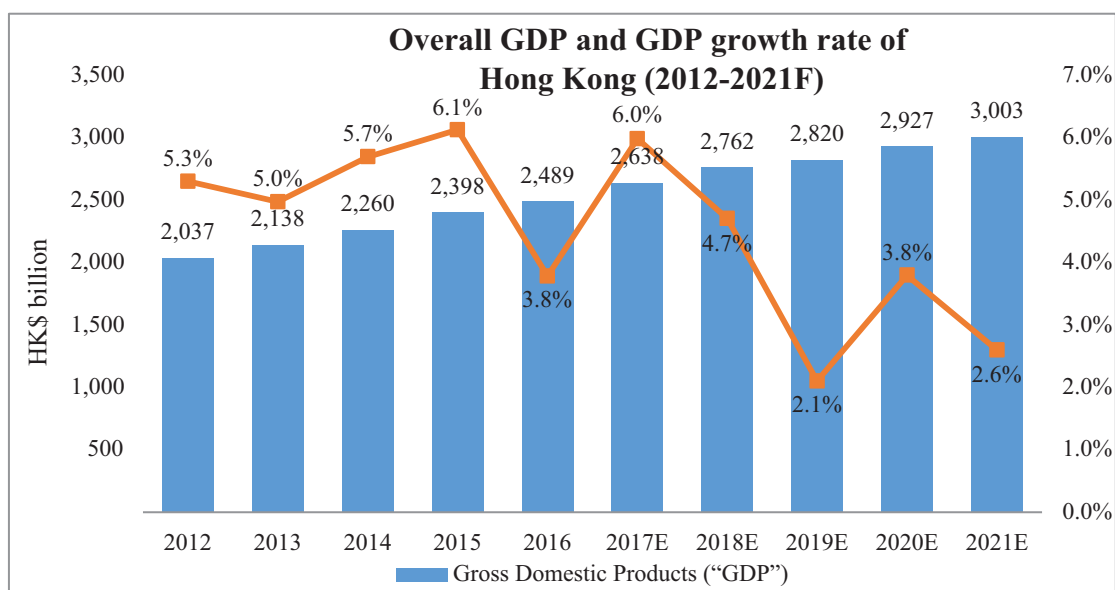
The following assumptions are used in the Industry Report: (a) there will not be political, administrative, or economic developments, or natural disasters causing the economic condition to differ significantly from relevant forecasts, or adversely affect the fit-out industry in Hong Kong; and (b) the economy of Hong Kong will not experience significant and substantial recession in near future.

The parameters considered in the market sizing and forecast model of the Industry Report include: (i) nominal GDP value in Hong Kong from 2012 to 2021; (ii) gross value of works performed by fit-out service providers from 2012 to 2021; (iii) gross floor area of offices in Hong Kong from 2012 to 2021; (iv) average daily wage of skilled labor in fit-out industry in Hong Kong from 2012 to 2021; and (v) cost indices of major raw materials for fit-out industry in Hong Kong from 2012 to 2021.

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

The economy of Hong Kong experienced continuous growth in the past that the GDP from 2012 to 2016 was in an increasing trend, from HK\$2,037 billion in 2012 to HK\$2,489 billion in 2016, representing a CAGR of approximately 5.1%. It is expected that the growing trend will continue after 2016 and the GDP will reach HK\$3,003 billion in 2021, representing a CAGR of approximately 3.83%.

## INDUSTRY OVERVIEW



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

## MARKET OVERVIEW OF FIT-OUT INDUSTRY IN HONG KONG

### Introduction

Fit-out is part of the construction industry, and it aims to provide the final furnishing of the interior space that meets the needs and eyes of the occupants. Before fit-out is carried out, the interior space is typically provided with unfurnished floor slab, walls, and ceilings, with the minimum layer of paint or coating for protecting the concrete (for typical reinforced concrete structures in Hong Kong) and other structural elements only. Fit-out would transfer this condition into the end product that tailored specifically to the end-users. For example, space would be partitioned to provide desirable layout of rooms and other spaces; last-point connection and routing of building services would be provided, such as installation of the power sockets, air diffusers and exhausts, and sanitary fitments; finally, the space would be furnished to the exact specification of the interior designer so that the visual effect of the interior space is appealing as envisioned by the owner.

### Major Participants

Participants of the fit-out industry in Hong Kong could be categorised into several types. *Contractor with design capability* is able to combine their design expertise with construction for a possible optimized cost and works duration. *Contractor with alterations and additions (“A&A”) capability* may provide seamless integration between the A&A stage and the (usually immediately subsequent) fit-out stage. *Contractor with its own team of workers and technicians* has the advantage to deploy their workers and technicians with greater flexibility than those main contractors that otherwise have to rely on their subcontractors that hire the workers. *Contractor with manufacturing capability* may exercise greater control on the cost and delivery of major components required for the project and thus have a positive impact on the overall programme and cost of the project. Finally, *management contractor*, or *integrated services provider*, to which we belong, typically outsources each trade to specialised subcontractors, which make it flexible to engage the most suitable subcontractors for each project, also without the burden of carrying many capital-intensive equipment with associated storage and maintenance fees, and also avoid the hassle of managing workers directly.

## INDUSTRY OVERVIEW

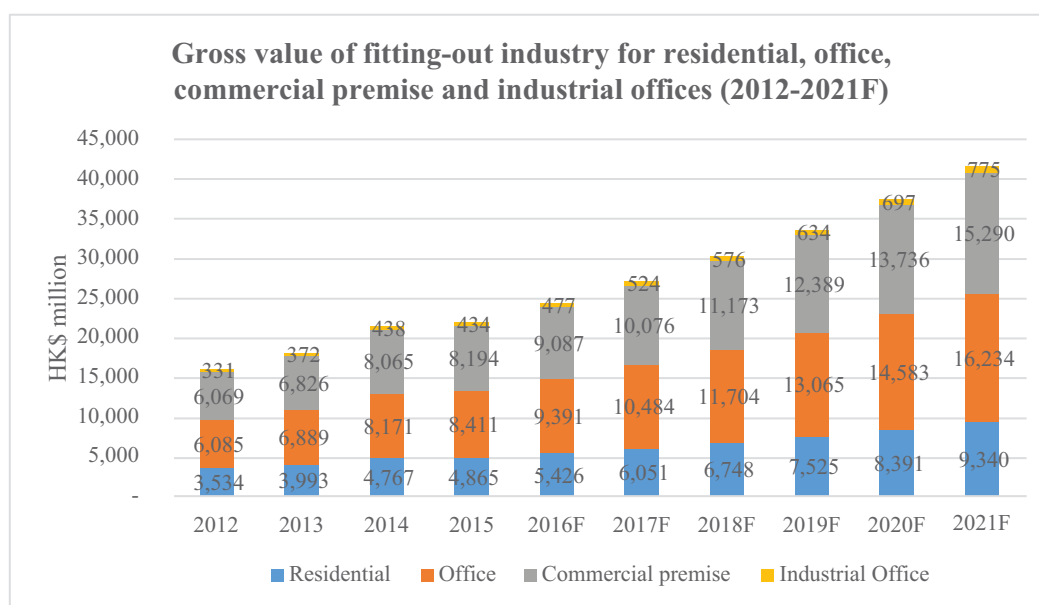
### Industry Norms

Tendering is commonly used in private and public projects for owners to invite contractors to offer services for proposed projects. Upon receiving the tender document from the owner (or their consultants, typically the architect or project manager), main contractors locate the most suitable subcontractors for specific field of fit-out works through another process of tendering, where each main contractor typically has its own tenderer list. The selection criteria of subcontractors include cost, track record, business relationship and manpower capacity. During the construction stage, as a common practice of the subject industry, the fees to the solution providers are paid in stages according to the progress of the projects.

### Overall Market

The growth of the fit-out industry is directly proportional to the growth of construction industry. When there are more construction works in general, the demand of fit-out works increases accordingly.

Gross value of fit-out industry in Hong Kong is determined by multiplying total gross value of construction works at locations other than sites with respective percentage for fit-out industry obtained from interviews. The total gross value of fit-out industry for residential, office, commercial premise and industrial offices in 2016 was HK\$24,380 million, representing a compound annual growth rate (“CAGR”) of 11.3% from the corresponding period in 2011. It is expected that the gross value of such works will steadily increase based on the forecasted GDP growth rate, which is about 3.83% from 2016 to 2021. Due to the generally positive economic atmosphere, it is further expected that the CAGR of 11.3% could be sustained from 2016 to 2021, and thus the total gross value of fit-out industry is forecasted to be HK\$41,639 million in 2021.



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

### THE FIT-OUT VALUE CHAIN AND THE INDUSTRY SUBSETS IN HONG KONG

There has been strong demand for fitting out service in the office sector. Due to the low vacancy rate and high rental level of Grades A and B offices, in order to enhance the efficiency in utilizing the office spaces, there is an increasing trend of tenants or occupiers to engage fitting out experts to rearrange the layout of office space, in order to accommodate more employees within the limited spaces. There has also been an increasing trend for multinational companies to employ flexible workplace

## INDUSTRY OVERVIEW

strategies in Hong Kong, aiming to provide more energetic and inspirational workplaces that help the employees to embrace the companies’ cultures. They brought up the demand for high quality fit-out works.

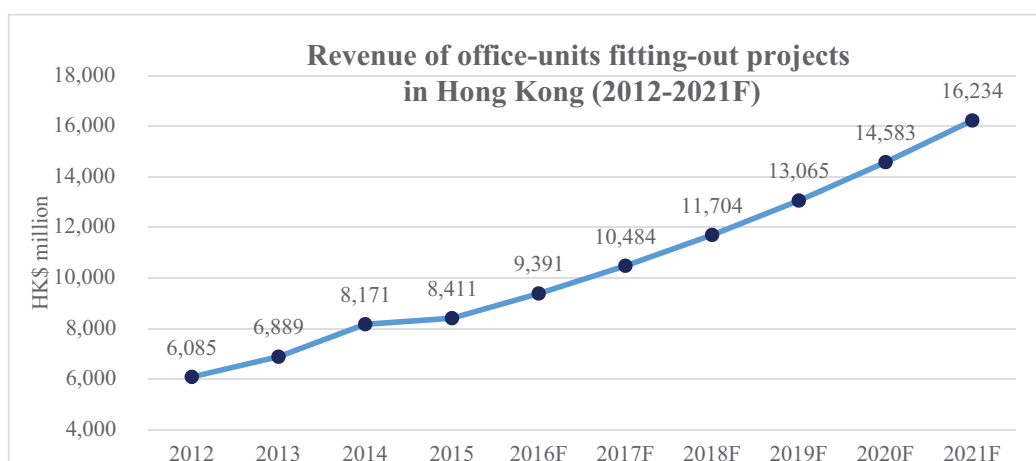
Besides, there is a trend of “Moving out of Central” that companies are moving offices out of those high-rental districts for cost reduction and set up new offices in regions like New Territories and Kowloon, which generates new demands for fitting out services in Hong Kong.

Furthermore, the increased awareness on sustainability has also led to increased demand in so-called “Green Office”, which is an environmental management system for offices. With its help, workplaces are able to reduce their ecological footprint and greenhouse gas emissions. Green Office could be suited to offices—both large and small—in private companies, the public sector and other organisations. There is strong demand from corporations, especially multinational corporations, to obtain global certification for their offices, such as Leadership in Energy and Environmental Design (“LEED”), to demonstrate their commitments toward environmental protection as a mean to improve public image.

Besides the office segment, there has also been a trend for fashion and luxury brands to set up flagship stores in Central Business Districts (“CBDs”) in Hong Kong such as Central, Causeway Bay and Tsim Sha Tsui. As flagship stores tend to be multi-level stores with extravagant external and interior design and also have a relatively larger floor area compared to regular stores, they fuel demands for high quality fitting out works.

### REVENUE OF OFFICE-UNITS FIT-OUT PROJECTS IN HONG KONG

In 2012, the revenue of the office-units fitting out projects was at a low level, because of the impact from the global financial crisis; companies tended to hold the budget for fit-out. The CAGR between 2012 and 2015 was calculated as 11.39%. It is forecasted that the revenue of the office-units decoration projects will grow along the forecasted GDP growth rate in Hong Kong and reach the all-time high of HK\$16,234 million in 2021, with a CAGR of 11.57% from 2016 to 2021. It shows a strong growth and opportunity in the fit-out industry.



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

### AVERAGE CONTRACT FEE OF OFFICE-UNITS FIT-OUT PROJECTS IN HONG KONG

The estimated average contract fee per fit-out project of office-units in Hong Kong increased from approximately HK\$4.5 million in 2012 to approximately HK\$6.2 million in 2016 at a CAGR of approximately 8.3%, primarily due to the constant increase of costs of raw materials and labor costs in

## INDUSTRY OVERVIEW

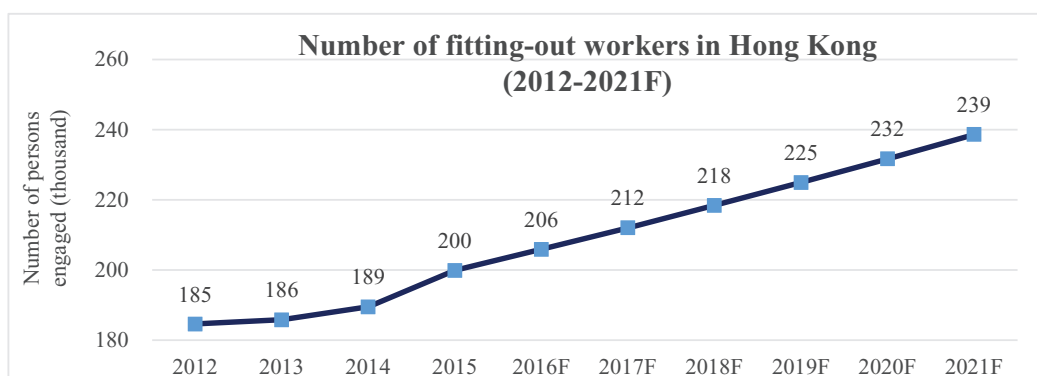
the past years. It is expected that the estimated average fee per fit-out project of office-units in Hong Kong will increase from approximately HK\$6.2 million in 2016 to approximately HK\$9.3 million in 2021 at a CAGR of approximately 8.45%.



Source: Crowe Horwath

### NUMBER OF FIT-OUT WORKERS IN HONG KONG

The estimated number of workers in Hong Kong increased from 184,563 in 2012 to 199,861 in 2015, representing a CAGR of 2.7%. It was primarily attributable to the continuous increase in the daily average wages. With the increasing number of workers in the fit-out industry, the fit-out industry could grow steadily in the coming future. The number of workers is assumed to grow at 3% annually. It is expected that the number of workers in 2021 will reach 238,644. However, the chronic problem of shortage of skilled labor is expected to persist and is a major threat to the fit-out industry. Simply stated, the supply of skilled labor will be outpaced by the associated demand and is expected to induce a wage rise in the long run.



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

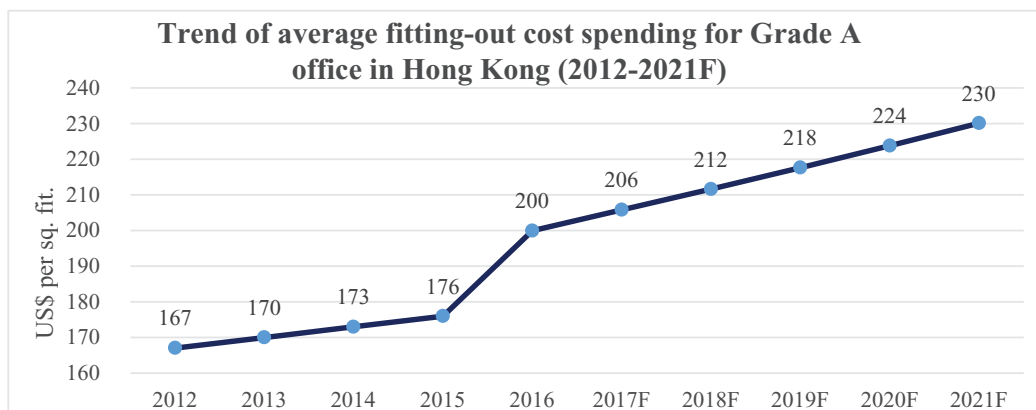
### TRENDS OF MAJOR COSTS OF FIT-OUT SERVICES

#### Trend of Average Fit-out Cost for Grade A office in Hong Kong

Fit-out costs from 2012 to 2016 were in an increasing trend due to the rise in labor cost and price of materials for fit-out works. In 2016, there was a sharp increase in the average fit-out cost from US\$176 per sq. ft. to US\$200 per sq. ft, translated into an annual increase of 13.6%. The significant increase in fit-out cost within a year was not simply caused by the rises in labor cost and price of materials, but also due to many

## INDUSTRY OVERVIEW

tenants aiming for high quality fit-out works. In 2016, the tenants for Grade A Offices were mainly mainland corporations, especially financial institutions. Traditionally, mainland corporations have high expectation on the fit-out quality. They would like their office to be grand and decent, especially for financial institutions that their clients will visit their offices for meeting. Office with high quality fit-out is essential for building the firm’s reputation. It is forecasted that the average fit-out cost for Grade A office will grow along the forecasted Consumer Price Index (“CPI”) of Hong Kong.



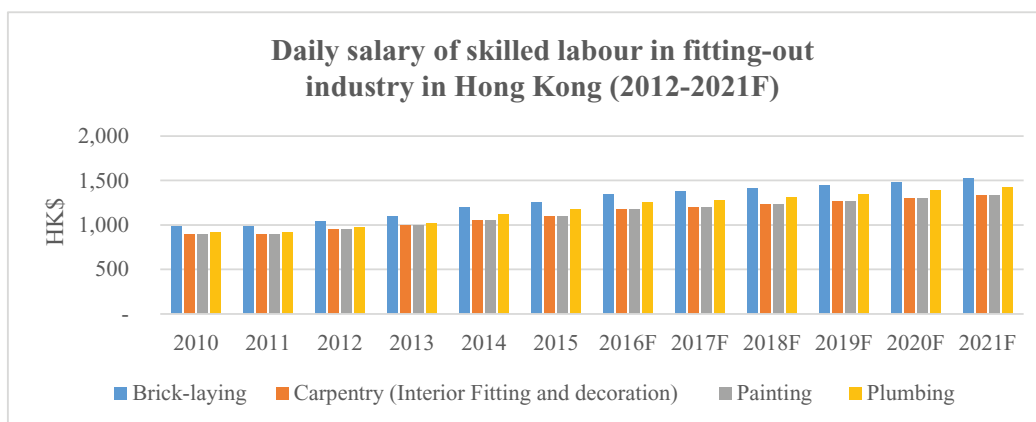
Source: Crowe Horwath

### Trend of Daily Salary of Skilled Labor in Fit-out Industry in Hong Kong

The graph below shows that there is a positive growing trend in terms of daily salary for all types of workers. The daily salary for fit-out workers engaged in brick-laying, carpentry (interior fitting and decoration), painting and plumbing in 2016 were HK\$1,345, HK\$1,177, HK\$1,177 and HK\$1,255, respectively. It is expected that the figures will reach HK\$1,518, HK\$1,329, HK\$1,329 and HK\$1,417 respectively, in 2021, representing a CAGR of 2.46% from 2017 to 2021.

The steady growth of daily salary for all types of workers showed a stronger need of skilled workers in the fit-out industry. It is expected that the number of fit-out projects will increase in the near future, leading to the increasing demand for skilled workers, leading to growing wages.

Although the rising daily salary for skilled workers will increase the operating cost for the fit-out industry, it is a good indicator to show the expansion or development for the industry in the future.

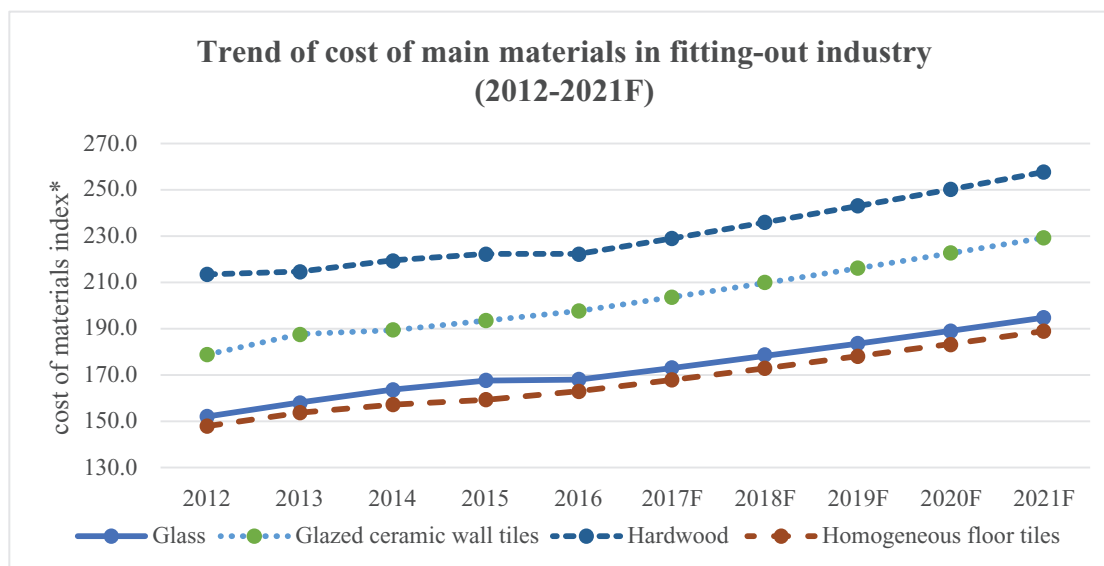


Source: Hong Kong Federation of Trade Unions; Crowe Horwath

## INDUSTRY OVERVIEW

### Trend of Cost of Main Materials in Fit-out Industry

The overall price trend of key fit-out materials rose steadily in the review period from 2012 to 2016, and this trend is expected to continue in the forecast years from 2017 to 2021. The following chart shows the price trends of four selected materials used in the fit-out industry.



\*Index = 100 at year 2003

Source: Census and Statistics Department of Hong Kong; Crowe Horwath

### DRIVERS FOR THE FIT-OUT INDUSTRY IN GENERAL AND FOR THE GRADE A OFFICES

The growth drivers of the fit-out services for Grade A offices in Hong Kong are as follows:

**Booming Hong Kong Property Market:** Booming Hong Kong property market boosts up the demand for fit-out service; investors and landlords are willing to spend more resources on fit-out works due to asset appreciation.

**Increasing Demand for Improving Efficiency of Office Spaces:** Low vacancy rate and high rental level of Grade A Offices induces owners or occupants to implement flexible workplace strategies through fit-out or retro-fit to provide more energetic and inspirational workplaces that help the employees to embrace the companies' cultures.

**New Moving-In from Traditional CBDs to New Business Districts:** Many start-ups and foreign companies looking for an establishment in Hong Kong find Kowloon East attractive, due to its convenience of transportation, less costly rent than CBD, and the availability of premier office spaces, and their new moving-ins create strong demand for fit-out services.

### COMPETITIVE LANDSCAPE OF THE FIT-OUT INDUSTRY FOR OFFICE PREMISES IN HONG KONG

The fit-out industry for office premises is highly fragmented and intensely competitive, with a wide range of enterprises, consisting of both local, international brands and even one-man firm. The two main services provided by the fit-out providers are design and fit-out. There are two layers of players within the industry. Some firms may provide one-stop services including design and fit-out services, with outsourcing for design services should they lack in-house design teams. Other fit-out firms focus on fit-out services only, such as management contractor.

## INDUSTRY OVERVIEW

According to the Industry Report, the market participants in the fit-out industry for office premises generally compete with each other on quality of service, brand and reputation, economies of scale and connection with subcontractors.

The top three fit-out solution providers for office premises had a combined market share of approximately 8.11% in the fit-out industry for office premises in Hong Kong in 2016, as illustrated in the table below:

Ranking	Company	Business Description	Market Share <sup>1</sup>
			%
1	The Company	A Hong Kong-based company principally engaged in the carrying-out of fit-out works for Grade A office premises in Central and other CBDs for clients in the financial and services sectors.	2.98%
2	Solution Provider A	A Hong Kong-based company and the fit-out contracting arm of a listed construction company; its major businesses include interior fit-out works and works for exterior, building services and renovations.	2.77%
3	Solution Provider B	A Hong Kong-based company and the contracting arm of a group that focuses on design & build and multidisciplinary design practice providing building and licensing consultancy, architectural, interior and building services design.	2.36%
	<b>Subtotal</b>		8.11%
	Others		91.89%
	<b>Total</b>		<u>100.00%</u>

NOTE:

- The market shares of companies in Hong Kong are calculated by the revenue derived from the companies' fit-out solution services for office premises in Hong Kong for the year 2016, divided by the gross value of fit-out solution services for office premise in Hong Kong for the year 2016 and multiplied by 100%.

### Market share of the Company's service

Since Grade A office premises accounts for about 64% of the total office premises in Hong Kong by area and higher fit-out cost per square feet and per year is devoted to Grade A office premises compared with Grade B and Grade C office premises, we expect that total revenue on fit-out works for Grade A office premises accounts for most of the total revenue for fit-out works for office premises generally; hence, the market share of 2.98% is a lower bound as well as a good approximation of the Company's actual market share for Grade A office premises fit-out works.

## ANALYSIS OF THE FIT-OUT INDUSTRY IN GENERAL AND FOR THE GRADE A OFFICES

### Entry Barrier:

**Hong Kong's Fit-Out Industry is Not Highly Regulated:** The Hong Kong fit-out industry is not highly regulated. It is expected that such *laissez-faire* approach will continue in the forecast period. Since the industry is not especially labor-intensive compared with other types of construction, a high demand of capital in order to start up such new business is not required.

## INDUSTRY OVERVIEW

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**Relatively Low Entry and Exit Barriers:** The fit-out industry has low entry and exit barriers. Small and new contractors face greater threats of new entrants than large international or established contractors as the latter usually have a network of expertise and reliable suppliers, and usually have a more loyal and prestigious client base.

**Higher Entry Barrier for Grade A Office Projects than Fit-Out Industry in General:** The entry barrier for fit-out works for Grade A offices is higher than fit-out works in general because the their tenants require high quality fit-out works and are willing to pay premium for the enhanced quality, with high expectation on the performance of the solution provider placing emphasis on the track record and industry reputation of the tenderers during tender stage.

### Opportunity:

**Favourable Government Policies:** The Government planned to invest in large scale infrastructural works and would make an effort to increase the housing and land supply, resulting in an increase in fit-out services demand.

The Government is putting in effort to cool down the residential property market and focusing on increasing the land supply for residential to meet the demand, which in turn could shift the investment capital from residential property to commercial premise and office; the demand for the fit-out service towards the commercial premise and office is expected to be driven up.

**Rising demand for co-working space and serviced offices:** Start-up companies, small-to-medium sized companies and other firms with temporary office requirements have helped boost demand for co-working space and serviced offices in Hong Kong in recent years. These providers operate various models to meet demand from different user types. They offer a wide range of lease terms and rental levels depending on the location of each co-working space and the provision of services. Due to the rising demand for co-working spaces, some existing office operators alter their office layout in order to become co-working spaces, causing the increase in demand for fit-out service.

**Belt and Road Initiative:** As a “super connector”, Hong Kong is expected to enjoy further opportunity in providing professional services in finance, legal, and other areas as countries participating in the Belt and Road Initiative will find Hong Kong an attractive platform to further their economic and culture development, inducing further demand of office spaces in Hong Kong.

### Major Threats:

**Keen competition:** The low entry barrier and the large number of fit-out providers implies great variance in the quality and prices of fit-out works. For tenants who do not have much expectation on the quality of fit-out works, price competition among competitors is fierce; their decision of choosing fit-out providers is price-driven.

**Rising costs:** Due to insufficient number of fit-out workers, the daily wage of fit-out workers increased significantly in recent years and is expected to persist in the foreseeable future due to the general reluctance of local young people to enter the industry and the aging of the current practitioners. The increase in the raw materials and labor costs reduce the profit margin of the fit-out industry.

Further, as cost-saving remains a key priority for occupiers, the increasing rents for all grades of office causes the reduction in the budget for fit-out service.

**Competitive rivalry within industry:** Within the building construction sector, fit-out is considered to have lower entry and exit barriers, as technical and capital requirements are lower than other trades such as A&A works, which typically involve structural works, requiring more expertise and specialized

## INDUSTRY OVERVIEW

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equipment. The relatively low entry and exit barriers in the fit-out sector lead to fierce competitions among a large number of contractors or service providers. In order to survive or thrive, contractors develop their own competitive advantages, such as forming strategic alliances, joint venture, or partnership with design firms, suppliers, contractors in other trades (such as A&A or building services), or specialization for particular types of customers, such as hospitals, hotels, schools/institutional, Grade A offices, or luxury retails.

In addition to domestic players, foreign-based companies are also welcomed for open tender, which further intensified the competition within the industry. Contractors will have to offer more attractive price, shorter or more flexible programme, or other benefits to the owner, to obtain a contract.

**Bargaining power of clients:** The major property types for fit-out works with high expenditure and/or scale in terms of floor area, are office, hotels, and shops. The larger the owners (in terms of, for example, scale of business) the more bargaining powers they possess. From the perspective of most owners, the services and products provided by contractors are homogeneous. Also, large developers often have long term relationships with particular contractors; other contractors would find it very difficult to enter the private market without first forming relationships with these developers.

When the business environment for property industry is tightening, there may be chances of power weakening on the customer end, in other words a decline in customer bargaining power. Nevertheless, for long-time consideration, contractors should seize this opportunity to let go short-term profitability for long-term relationship with potential and existing clients and other market players.

**Bargaining power of suppliers:** In the construction industry, the main providers of the actual services and goods are subcontractors and material suppliers. Most of the large general contractors in Hong Kong have established long-term relationship with particular subcontractors and suppliers. For new entrants that do not possess such relationship asset, subcontractors normally provide quotations of higher fees as the subcontractors perceive that more overheads would be required due to unfamiliarity with the main contractor.

## REGULATORY OVERVIEW

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### REGULATORY REQUIREMENTS IN HONG KONG

We are a fit-out contractor focusing on providing services as a main contractor for Grade A offices in Hong Kong. Below sets out a summary of certain aspects of the Hong Kong laws and regulations which are material and relevant to our Group’s operation and business, but in no event should it be considered as a full account of all laws and regulations relating to our Group’s operation and business.

#### **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)**

The Buildings Ordinance and associated regulations regulate the planning, design, and construction of buildings and associated works. The Buildings Ordinance and associated regulations contain a set of controls for undertaking any construction works, including the requirement to obtain prior approval and consent from the Building Authority before the commencement of works, and to appoint authorized persons (such as architects, engineers and surveyors registered under the Buildings Ordinance) and registered professionals to design and supervise the works, and registered contractors to carry out the works.

Under section 4A and 9AA of the Buildings Ordinance, if minor works have been commenced or carried out and the person who arranged for the works to be commenced or carried out has knowingly failed to appoint a prescribed registered contractor required by the regulations to be appointed in respect of the minor works concerned, that person commits an offense. According to section 40(1AB) of the Buildings Ordinance, any person who commits an offense under section 4A(2) or 9AA(2) shall be liable on conviction to a fine up to HK\$100,000.

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval or consent from the Building Authority unless otherwise provided therein. According to section 41(3) of the Buildings Ordinance, building works (other than drainage works, ground investigation in the scheduled areas, site formation works or minor works) in any building are exempt from the requirement for approval from the Building Authority if the works do not involve the structure of the building. Even if the building works satisfy the criteria under section 41(3) of the Buildings Ordinance and can be carried out without prior approval of the Buildings Authority, the works concerned would have to comply with the building standards stipulated in the regulations made under the Buildings Ordinance. It is a requirement under the Buildings Ordinance for an authorized person (who co-ordinates any building works and who prepares and submits plans for the approval of the Building Authority) to be appointed by either the ultimate beneficiary of the works, the employer of the works, or the contractor.

Any person who knowingly contravenes section 14(1) in respect of building works (other than minor works) shall be guilty of an offense and shall be liable on conviction to a fine of HK\$400,000 and to imprisonment for up to 2 years, and to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offense has continued.

#### **Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong)**

The Building (Minor Works) Regulation is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as “minor works”. Under the Building (Minor Works) Regulation, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialization of works in the industry. Class I minor works are relatively more complicated and require higher technical experience

## REGULATORY OVERVIEW

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and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorized person and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional.

Any person who, without reasonable excuse, observe the relevant requirements under the Building (Minor Works) Regulation for conducting the minor works commits an offense and is liable on conviction to a fine of up to HK\$50,000.

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

A principal contractor and a superior subcontractor are subject to the provisions on subcontractor's, employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. Such liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor and/or superior subcontractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions under the Employment Ordinance (such months shall be the first two months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor. Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware.

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor, as the case may be.

The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case may be, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has sub-contracted.

### **Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)**

The Employees' Compensation Ordinance establishes a no-fault and non-contributing 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.

## REGULATORY OVERVIEW

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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 faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 40 of the Employees’ Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance or independent from the Ordinance for injuries arising out of and in the course of the employees’ employment (including full-time and part-time employees). According to section 40(2) of the Employees’ Compensation Ordinance, an employer who fails to comply with the Employees’ Compensation Ordinance to secure an insurance cover is liable on conviction to a fine up to HK\$100,000 and imprisonment for up to two years.

According to section 15 of the Employees’ Compensation Ordinance, an employer must notify the Commissioner for Labour of any accident or prescribed occupational disease, irrespective of whether the accident or the occupational disease gives rise to any liability to pay compensation. Notice of any accident which results in the death of the employee within 3 days after the accident shall be given to the Commissioner of Labour by the employer not later than 7 days after the accident irrespective of whether the accident gives rise to any liability to pay compensation. Notice of any accident which results in the total or partial incapacity of the employee shall be given to the Commissioner of Labour by the employer not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation. Any employer who without reasonable excuse fails to serve notice commits an offense and is liable to a fine up to HK\$50,000.

### **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.

### **Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)**

According to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor or subcontractor) who has control over or is in charge of a construction site should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site. “Construction site” is defined under the Immigration Ordinance to mean a place where construction work is undertaken and includes any area in the immediate vicinity which is used for the storage of materials or plants used or intended to be used for the purpose of the construction work.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offense and is liable to a fine of HK\$350,000.

## REGULATORY OVERVIEW

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance, unless otherwise exempted from the Minimum Wage Ordinance. 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.

Failure to pay minimum wage amounts to a breach of the wage provisions under the Employment Ordinance. According to the Employment Ordinance, an employer who wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of HK\$350,000 and to imprisonment for up to three years.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Employers or the occupier of the premises (as the case may be) must as far as reasonably practicable ensure the safety and health in their workplaces by:

- a) providing and maintaining plant and work systems that are safe and without risks to health;
- b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- c) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- d) providing and maintaining safe access to and egress from workplaces; and
- e) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with the above provisions constitutes an offense and the employer or occupier is liable on conviction to a fine of HK\$200,000. An employer or occupier who fails to do so intentionally knowingly or recklessly commits an offense and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commissioner for Labor may also issue improvement notices against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance (Chapter 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offense punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to one year.

### **Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)**

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odor from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licenses and permits and etc.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site (which is defined to mean a place where

## REGULATORY OVERVIEW

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construction work is carried out and area in the immediate vicinity of any such place which is used for the storage of materials or plant used or intended to be used for the purpose of the construction work) shall devise, arrange methods of working and carrying out the works in such a manner so as to minimize dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

### **Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)**

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction work. For construction activities that are to be carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offense continues.

### **Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)**

The Waste Disposal Ordinance regulates the production, storage, collection, treatment, reprocessing, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste into and from Hong Kong is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, unless otherwise specified in the Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any prescribed charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a license from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorization, does, causes or allows another person to do anything for which such a permit or authorization is required

## REGULATORY OVERVIEW

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commits an offense and is liable to a fine of HK\$200,000 and to imprisonment for six months for the first offense, and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offense.

### Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance prohibits and deters undertakings in all section from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong.

The rules laid down by the Competition Ordinance are as follow:

- a) ***first conduct rule***: which prohibits an undertaking (which means any entity, regardless of its legal status or the way in which it is financed, engaged in economic activity, and includes a natural person engaged in economic activity) from (i) making or giving effect to an agreement; (ii) engaging in a concerted practice; or (iii) as a member of an association of undertakings, making or giving effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong;
- b) ***second conduct rule***: which prohibits an undertaking that has a substantial degree of market power in a market from abusing that power by engaging in conduct that has as its object or effect of the prevention, restriction or distortion of competition in Hong Kong. For such purpose, conduct may constitute such an abuse if it involves (i) predatory behavior towards competitors; or (ii) limiting production, markets or technical development to the prejudice of consumers; and
- c) ***merger rule***: which prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong are prohibited under the Competition Ordinance. Currently, such rule only applies to mergers relating to undertakings directly or indirectly holding carrier licenses issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong)

In case of contravention of the rules under the Competition Ordinance, the Competition Tribunal has a broad range of sanctions available to levy against a contravening party. These include pecuniary penalty, director disqualifications, and prohibition, damage and other orders. For pecuniary penalty, the Competition Tribunal may award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

## HISTORY, DEVELOPMENT AND REORGANIZATION

### HISTORY AND DEVELOPMENT

#### Our Business History

The history of our Group can be traced back to 2009 when Sanbase Interior was established by Mr. Wong, primarily focusing on interior fit-out services as main contractor in Hong Kong. For the biographical details of Mr. Wong, please refer to the section headed “Directors and Senior Management” of this document. The business was financed by the founder’s own capital and was able to capitalize on Mr. Wong’s experience gained while he was working as project director with Arcon System Limited from January 2002 to February 2009, where he was primarily responsible for development and implementation of audio-visual solutions projects.

#### Our Business Milestones

Since the incorporation of Sanbase Interior in 2009, owing to our continuous emphasis on providing quality services, timely completion and budget and Mr. Wong’s experience in the industry, we have been able to take on projects for Grade A offices since the early stage of our business. These projects helped establish our reputation in the industry for our high quality services and timely delivery. Benefitting from the success of these projects for Grade A offices and referral from recurring clients, we were able to enhanced our reputation as an interior fit-out solutions provider focusing on Grade A offices in Hong Kong.

Since then, we steadily gained recognition in the industry and were awarded with larger scale projects. In 2016, we completed a bare shell fit-out project for a building in Wanchai for Client HI, which is our first bare shell fit-out project for a whole building. In the same year, we completed our largest project to date in terms of contract sum for an office fit-out project in Hunghom for Client CL.

In summary, the below sets forth a chronological review of the key business milestones of our Group:

Year	Milestones
2009	<ul style="list-style-type: none"><li>• Sanbase Interior was incorporated in Hong Kong</li></ul>
2011	<ul style="list-style-type: none"><li>• We completed our first Grade A office project for Client V, one of our top 5 clients during the Track Record Period</li></ul>
2012	<ul style="list-style-type: none"><li>• We completed our first Grade A office project for Client AC, one of our top 5 clients during the Track Record Period</li></ul>
2014	<ul style="list-style-type: none"><li>• We obtained ISO 9001 Certification which reinforces our emphasis on quality management</li></ul>
2016	<ul style="list-style-type: none"><li>• We completed a bare shell fit-out project for Client HI in Wanchai which involved the fit-out work for the lobby and the entire building of 26 office floors with a total GFA of approximately 76,000 sq. ft.</li><li>• We obtained ISO 14001 which reinforces our emphasis on environmental management and OHSAS 18001 Certifications which reinforces our emphasis on occupational health and safety</li><li>• We completed an bare shell fit-out project for Client CL in Hunghom which involved the fit-out work for five office floors with a total GFA of 134,700 sq. ft.</li></ul>

## HISTORY, DEVELOPMENT AND REORGANIZATION

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### CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, 1017 Company Limited and Sanbase Interior. The following sets forth the shareholding and corporate structure, place of incorporation/establishment and principal business activities of each member of our Group as the Latest Practicable Date.

#### **Our Company**

Our Company was incorporated in the Cayman Islands on March 24, 2017 and, as part of the Reorganization, became the holding company of our Group with its business being conducted through our Group’s operating subsidiary providing interior fit-out management and solutions focusing on Grade-A offices in Hong Kong. As at the Latest Practicable Date, our Shares were owned as to 75% and 25% by Madison Square and J&J Partner, respectively.

#### **Our operating subsidiary**

During the Track Record Period, we had conducted our business through our operating subsidiary Sanbase Interior. We also established intermediate holding company, 1017 Company Limited, for holding interests in our operating subsidiary.

#### ***Sanbase Interior***

Sanbase Interior was incorporated in Hong Kong as a limited liability company under the Companies Ordinance on May 7, 2009, with share capital of HK\$10,000.0 divided into 10,000 shares of HK\$1.00 each. Mr. Wong subscribed for 10,000 shares for cash at HK\$10,000.0.

On March 26, 2010, a total number of 2,500 shares were transferred from Mr. Wong to Mr. Wong Kin Kei at a consideration of HK\$2,500.0. The consideration was settled in cash on the same date. The consideration was agreed between the parties upon arms’ length discussion based on par value. Upon completion of this share transfer, Sanbase Interior was held as to 75% by Mr. Wong and 25% by Mr. Wong Kin Kei. Mr. Wong transferred the shares to Mr. Wong Kin Kei because of his view that Sanbase Interior could leverage on Mr. Wong Kin Kei’s expertise in the industry to achieve business expansion.

On January 11, 2012, a total number of 2,500 shares were transferred from Mr. Wong to Mr. Wong Kin Kei at a consideration of HK\$2,500.0. The consideration was settled in cash on the same date. The consideration was agreed between the parties upon arms’ length discussion based on par value. Upon completion of this share transfer, Sanbase Interior was held as to 50% by Mr. Wong and 50% by Mr. Wong Kin Kei. The share transfer was a personal commercial decision between Mr. Wong and Mr. Wong Kin Kei to provide further business incentives.

On August 15, 2012, a total number of 2,500 shares were transferred from Mr. Wong Kin Kei to Pure Mind at a consideration of HK\$2,500.0. The consideration was settled in cash on the same date. The consideration was agreed between the parties upon arms’ length discussion based on par value. Pure Mind is an investment holding company and as at the date of the share transfer, Vast Honest Limited, an independent third party, was the sole shareholder of Pure Mind and an independent third party, was the sole shareholder of Vast Honest Limited as at the date of the share transfer. Upon completion of this share transfer, Sanbase Interior was held as to 50% by Mr. Wong, 25% by Mr. Wong Kin Kei and 25% by Pure Mind. Mr. Wong Kin Kei transferred the shares to Pure Mind with expectation that Pure Mind, together with its then shareholder, Vast Honest Limited, would bring new business opportunities to Sanbase Interior.

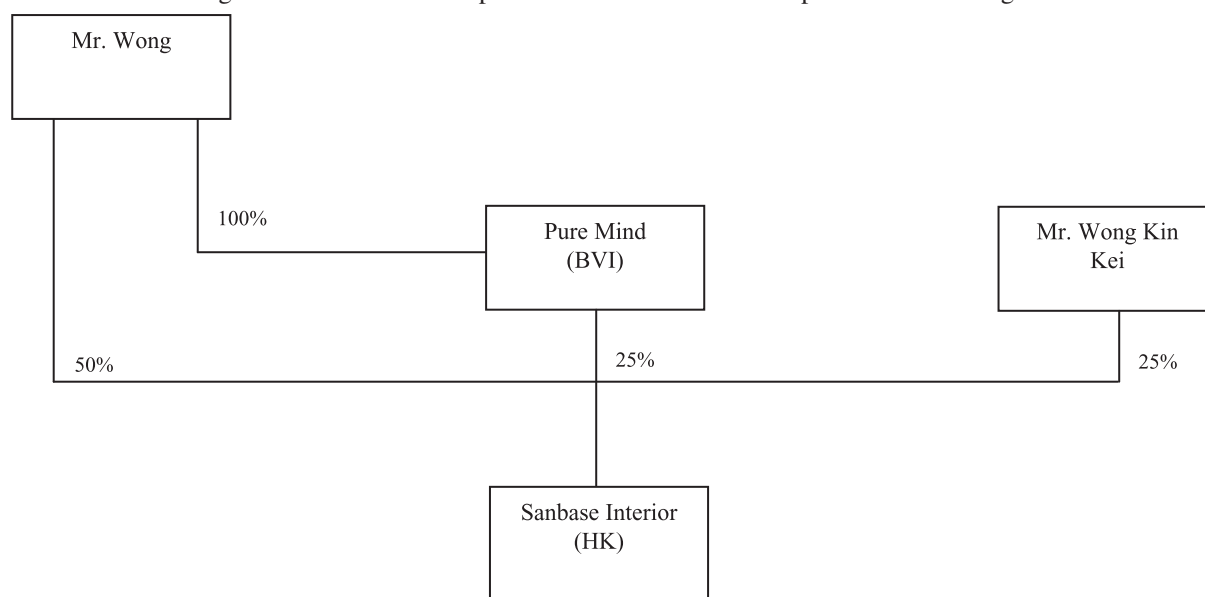
## HISTORY, DEVELOPMENT AND REORGANIZATION

On February 1, 2016, as the synergy with Pure Mind fell short of the expectation from Mr. Wong Kin Kei and Mr. Wong, Vast Honest Limited transferred the entire issued share capital of Pure Mind to Mr. Wong at a consideration of US\$1.0. The consideration was settled in cash on the same date and the consideration was agreed between the parties upon arms’ length discussion based on par value. As at the Latest Practicable Date, Mr. Wong remains the sole shareholder of Pure Mind.

### REORGANIZATION

Our Company completed the Reorganization on May 22, 2017 in preparation for the [REDACTED], we have undertaken the following Reorganization steps, pursuant to which our Company became the holding company of our Group.

The following chart sets out the corporate structure of our Group before the Reorganization:



#### (i) Incorporation of Madison Square International Investment Limited

On March 23, 2017, Madison Square International Investment Limited was incorporated in the BVI as the investment holding company of Mr. Wong. 37,500 ordinary shares were issued and allotted to Mr. Wong at a par value of US\$1.0 on the same day.

#### (ii) Incorporation of J&J Partner Investment Group Limited

On March 23, 2017, J&J Partner Investment Group Limited was incorporated in the BVI as the investment holding company of Mr. Wong Kin Kei. 12,500 ordinary shares were issued and allotted to Mr. Wong Kin Kei at a par value of US\$1.0 on the same day.

#### (iii) Incorporation of 1017 Company Limited

On March 23, 2017, 1017 Company Limited was incorporated in the BVI and 10,000 ordinary shares were issued and allotted to our Company at a par value of US\$1.0 on March 24, 2017.

#### (iv) Incorporation of our Company

On March 24, 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. On the same day, one ordinary share was transferred from Harneys Services

## HISTORY, DEVELOPMENT AND REORGANIZATION

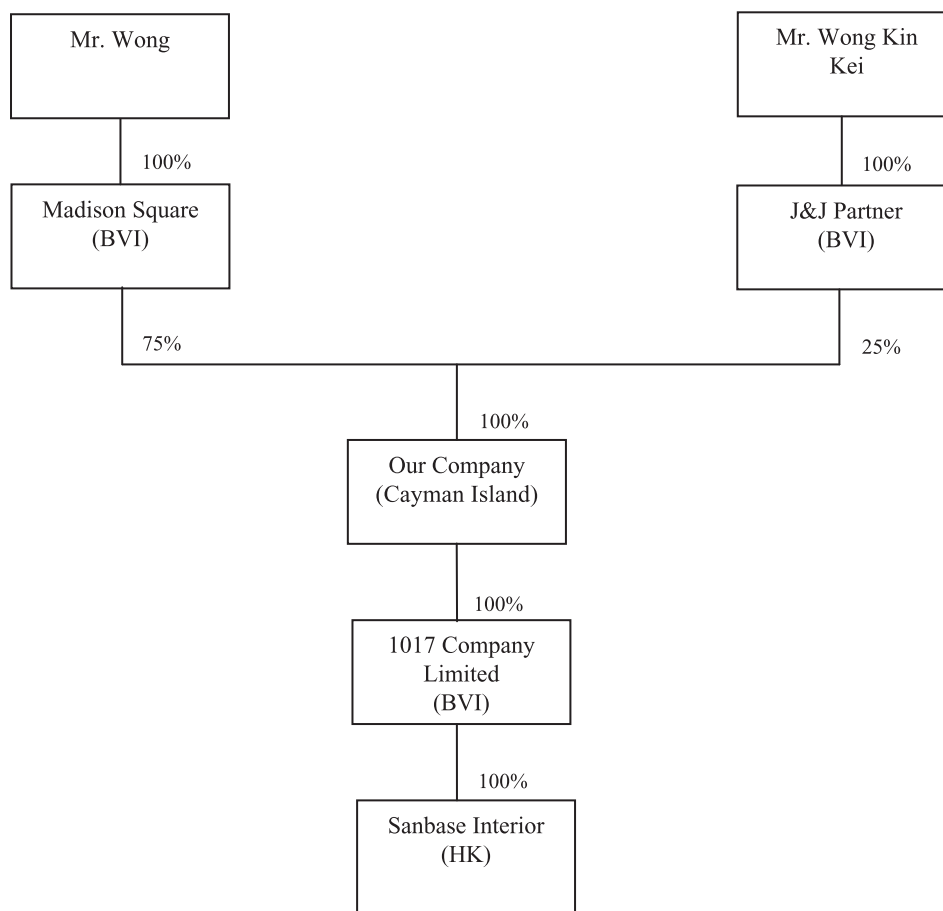
(Cayman) Limited to Madison Square at a par value of US\$1.0. In addition, 37,499 and 12,500 ordinary shares were issued and allotted to Madison Square International Investment Limited and J&J Partner Investment Group Limited at a par value of US\$1.0 on the same day.

### (v) Acquisition of Sanbase Interior by 1017 Company Limited

On May 22, 2017, 1017 Company Limited acquired the total issued share capital of Sanbase Interior from Mr. Wong, Mr. Wong Kin Kei and Pure Mind for an aggregate consideration of HK\$10,000.0, after which 1017 Company Limited became the sole shareholder of Sanbase Interior. The consideration was determined with reference to the par value of the shares of Sanbase Interior.

Save as disclosed otherwise, the aforementioned considerations were determined on an arm’s length basis with reference to the issued share capital and the book value of the net worth of the relevant companies. All the aforementioned transactions have been properly and legally completed and settled.

The following chart sets out the corporate structure of our Group immediately following the completion of the Reorganization, but before the completion of the [REDACTED] and the [REDACTED]:

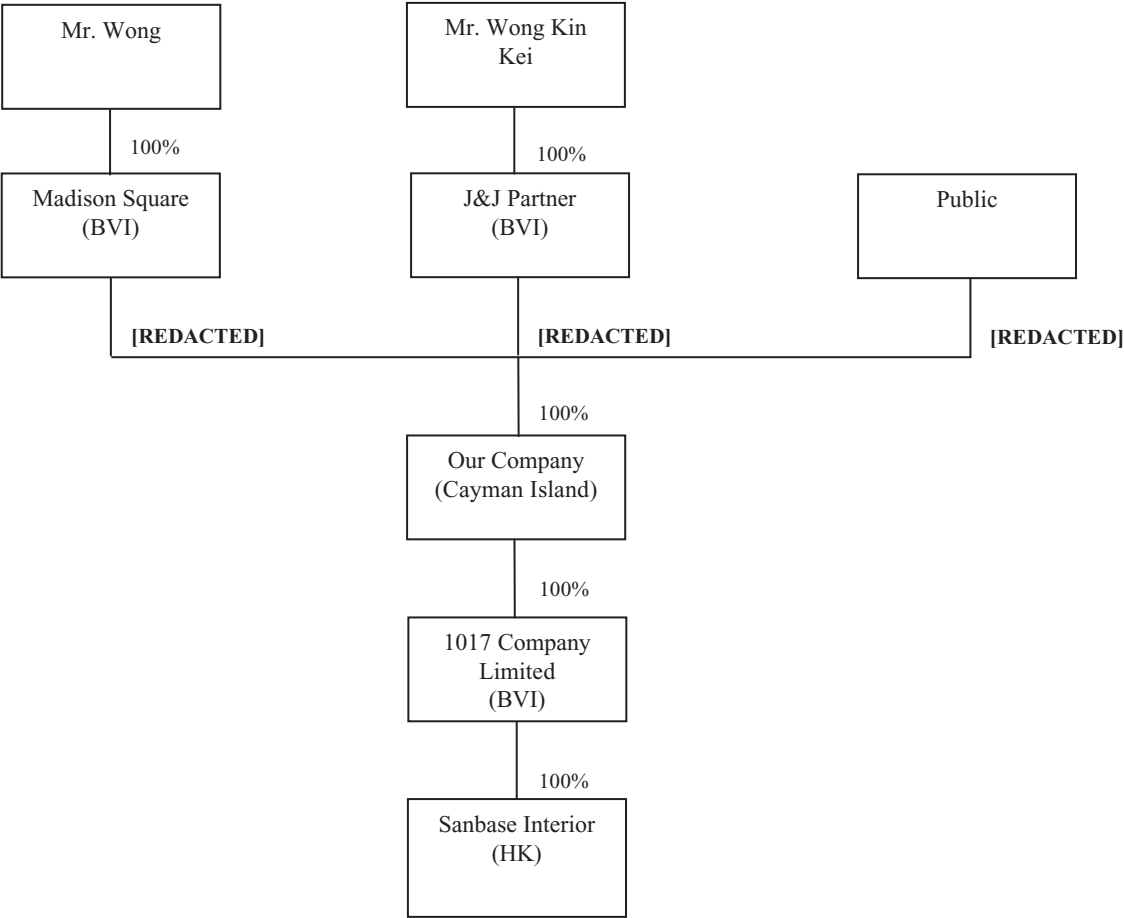


HISTORY, DEVELOPMENT AND REORGANIZATION

[REDACTED] AND [REDACTED]

Conditional upon the share premium account of our Company being credited as a result of the [REDACTED], our Company will capitalise all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value a total of 100,000,000 Shares for allotment and issue to Madison Squares and J&J Partner, in proportion to their respective existing shareholding immediately prior to the completion of the [REDACTED]. As a result, Madison Squares and J&J Partner and the public will hold approximately [REDACTED], [REDACTED] and [REDACTED], respectively, of the enlarged share capital of our Company immediately upon the completion of the [REDACTED] and the [REDACTED].

The following chart sets out the corporate structure of our Group immediately after the completion of the [REDACTED] and [REDACTED] (assuming that the [REDACTED] and any options that may be granted under the Share Option Scheme have not been exercised):



## BUSINESS

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### OVERVIEW

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. According to the Industry Report, we are the largest fit-out solutions provider for Grade A offices in Hong Kong in terms of market share in 2016 (market share is calculated based on revenue for the calendar year 2016 (i.e. January to December)). The majority of our projects involve providing fit-out solutions for the offices of prominent financial institutions, insurance companies and other multi-national companies. Our role in these fit-out projects entails the overall responsibility for project implementation, management, coordination, quality control and working closely with our clients and other professional consultants including interior designers, quantity surveyors and architects involved in the project, as well as the subcontractors engaged by us, for the efficient renovation of the premises. The actual fit-out works are performed by the subcontractors engaged by us. In particular, we assist our clients in arranging the necessary labor and specialist expertise to meet various requirements, such as building services and safety requirements. Leveraging on our substantial project management experience and expertise which enable us to visualize the intent of design drawings and anticipate the functionality of designs, we provide technical know-how and modification advice to our clients and their interior designers to ensure that their renovation work conforms to the usage plans, as well as meets our clients’ needs and completes the projects on time.

During the Track Record Period, we have been awarded certain key fit-out projects for Grade A offices which we were able to complete timely. For instance, in 2016, we completed (i) the bare shell fit-out project for Client HI in Wanchai which involved the fit-out work for the lobby and the entire building of 26 office floors with a total GFA of approximately 76,000 sq. ft.; (ii) the bare shell fit-out project at One HarbourGate in Hunghom for Client CL, which involved the fit-out work for five office floors and the ground floor lobby with a total GFA of approximately 142,800 sq. ft.; and (iii) the bare shell fit-out project for Client AC at Vertical Square in Wong Chuk Hang which involved the fit-out work for seven office floors with a total GFA of approximately 49,350 sq. ft.. During the Track Record Period, the main categories of our services include: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. For details, please see the section headed “— Scope of Our Services and Business Model”. During the Track Record Period, we obtained all of our bare shell fit-out projects through tendering process. During the Track Record Period, we have made 97 submissions to tender for new projects, out of which we were awarded 56 projects and achieved an average success rate of approximately 57.7%.

We have established strong and stable relationships with some of our clients. Despite the nature of our business, that we generally obtain our contracts through tendering, due to our well-established reputation, extensive experience, proven track record in the industry and strong relationships, we were able to successfully obtain contracts from repeated clients through tendering process. For example, our repeated clients include Client V, Client AC, Client S and Client Z who have been our clients since 2011, 2012, 2013 and 2013 respectively and have engaged us for various services over the years. During the Track Record Period, these repeated clients were among our five largest clients for the same period, they have accounted for approximately 9.0% and 25.5% of our revenue for the two years ended March 31, 2016 and 2017 respectively. We have continued to diversify our client base and attract new clients. During the Track Record Period, we worked on projects for a total of 102 clients, including new clients such as Client HI and Client CL.

We experienced growth during the Track Record Period. Our revenue for the two years ended March 31, 2016 and 2017 were HK\$231.1 million and HK\$280.7 million, respectively, representing a growth of approximately 21.5%. Our profit for the two years ended March 31, 2016 and 2017 were HK\$18.6 million and HK\$24.1 million, respectively, representing a growth of approximately 29.6%.

## BUSINESS

During the Track Record Period, we worked on a total of 187 projects with a total recognized revenue of HK\$511.8 million. The following table sets forth the number of projects we worked on and the revenue recognized during the Track Record Period:

	Year ended March 31,			
	2016		2017	
	No. of projects <sup>(1)</sup>	Recognized revenue HK\$'000	No. of projects <sup>(1)</sup>	Recognized revenue HK\$'000
Commercial offices .....	98	197,714	113	253,832
— Grade A offices .....	94	195,917	103	247,947
— Other commercial offices .....	4	1,797	10	5,885
Others <sup>(2)</sup> .....	8	33,410	9	26,838
<b>Total</b> .....	<b>100</b>	<b>231,124</b>	<b>103</b>	<b>280,670</b>

*Note:*

1. Including only the projects of which the revenue was recognized in the respective financial year
2. “Others” include school, serviced apartment retail shop, hotel and residential property

Project type	Year ended March 31,			
	2016		2017	
	No. of projects <sup>(1)</sup>	Recognized revenue HK\$'000	No. of projects <sup>(1)</sup>	Recognized revenue HK\$'000
Bare shell fit-out .....	52	211,142	36	215,822
Restacking .....	13	5,664	11	26,505
Reinstatement .....	3	3,938	2	22,270
Maintenance .....	6	1,592	13	1,781
Churn work .....	26	8,788	41	14,292
<b>Total</b> .....	<b>100</b>	<b>231,124</b>	<b>103</b>	<b>280,670</b>

*Note:*

1. Including only the projects of which the revenue was recognized in the respective financial year

## COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that differentiate us from our competitors:

### **Strong and well-established reputation and proven track record as an interior fit-out solutions provider for Grade A offices in Hong Kong**

Since our inception in 2009, we have established a strong reputation as an interior fit-out solutions provider focusing on Grade A offices in Hong Kong. According to the Industry Report, we are the largest fit-out solutions provider for Grade A offices in Hong Kong in terms of market share in 2016. Our revenue for the two years ended March 31, 2016 and 2017 were HK\$231.1 million and HK\$280.7 million, respectively, representing a growth of approximately 21.5%. According to the Industry Report, the demand for quality office space remains strong in the coming years. Due to the limited supply of commercial offices and high rental fees, existing office occupiers tend to move to new office locations with lower rental, which drives the demand for fit-out services.

## BUSINESS

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We believe our past successful completion of large-scale multi-floor projects gives us a competitive edge in pursuing new opportunities, as our clients generally select a fit-out solutions provider on the basis of its industry reputation, previous track record and pricing. According to the Industry Report, there has been an increasing number of Chinese enterprises which are setting up their offices in Hong Kong as part of their business expansion strategies. This in turn became a primary growth driver for the demand of Grade A offices in Hong Kong. During the Track Record Period, we have been awarded certain key fit-out projects for Grade A offices of renowned Chinese enterprises which we were able to complete timely and with good quality. For instance, in 2016, we completed the bare shell fit-out project for Client HI in Wanchai which involved the fit-out work for the lobby and the entire building of 26 office floors with a total GFA of approximately 76,000 sq. ft.. In the same year, we completed the bare shell fit-out project at One HarbourGate in Hunghom for Client CL, which involved the fit-out work for five office floors and ground floor lobby, with a total GFA of approximately 142,800 sq. ft..

During the Track Record Period, we worked on 187 projects. We believe our strong track record is testament to our ability to complete large-scale multi-floor fit-out projects which enables us to establish a distinct and strong reputation in the industry. For instance, we have received letters of recommendation and/or letters of appreciation from our clients and project management companies, which we are praised for our timely completion of their projects, high quality of workmanship and our ability to maintain excellent customer relationships. In addition, our well-established reputation also allows us to receive referrals and tender invitations from our clients, project management companies and other industry players, which enables us to compete favorably against other competitors particularly at the pre-qualification stage. During the Track Record Period, we have made 97 submissions to tender for new projects, out of which we were awarded 56 projects with an overall success rate of approximately 57.7%. We believe our high success rate is attributable to our well-established reputation, proven track record in the industry, the resources we devote into the preparation of our comprehensive tender submissions, our effective cost estimation strategies at the pre-tendering stage, our commitment to the provision of high quality services, the timely completion of our projects and our internal post-completion project review.

### **Strong relationships with our existing clients and our ability to attract new clients**

We have established strong relationships with our clients. Our relationship with Client V dates back to 2011 when we were first engaged for the bare shell fit-out of their office in Central. Despite the nature of our business that we usually obtain contracts through tendering, we were able to successfully obtain contracts from our previous clients recurrently. For instance, our repeated clients include prominent financial institutions and insurance companies such as Client V, Client AC, Client S and Client Z, who have been our clients since 2011, 2012, 2013 and 2013 respectively, and have over the years engaged us for various services. Our ability to maintain good relationships with our existing clients allows us to stay in close communication with them, which in turn can keep us abreast of their office refurbishment plans or restacking needs. These clients would sometimes notify us on new business opportunities and invite us to submit tenders for these opportunities and projects. Owing to our extensive experience, industry expertise and historical track record (particularly with respect to historical projects that we have completed for these clients), we believe that we would have a greater likelihood in succeeding in the tendering process and these clients may engage us again for other projects and contract work. In addition, owing to our outstanding track record and good reputation in the industry, we are able to attract new clients and maintain good relationships with project management companies, who invite us to submit tenders for their projects. During the Track Record Period, we worked on projects for a total of 102 clients, including new clients such as Client HI and Client CL. In May 2017, we are selected as one of the main contractors of the approved vendor list of Client HB for the provision of fit-out services to certain

## BUSINESS

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commercial, residential and retail premises on a framework arrangement basis for a minimum of two years. We believe the strong relationships with our existing clients and our ability to attract new clients can ensure our business sustainability and continuous growth in the future.

### **Management and execution experience and expertise in fit-out projects for Grade A offices**

In order to ensure the quality of our service and timely completion of our projects, we have developed our own standardized project management and execution protocol. The protocol enables us to map out all the necessary steps and timeframe from the commencement of the projects to their completion, which helps ensure that each procedure at the implementation level is well-managed and executed. We also arrange weekly meetings with our subcontractors and provide regular updates to our clients to ensure that each step of the project implementation stage is on track. Such regular communication is crucial to ensure that our services and delivery would not deviate from our client's expectation. Given that we are required to complete our projects within pre-determined timeframes, it is crucial for us to closely monitor each step of the project execution to ensure timely completion. During the Track Record Period and up to the Latest Practicable Date, we did not have any material claims on liquidated damages by our clients nor experience any material delay in the completion of our projects. We believe our expertise in the management and execution of our projects systemically and efficiently is a significant factor distinguishing us from our competitors.

Further, we maintain stable relationships and work closely with our major subcontractors. We have established business relationships with our five largest subcontractors during the Track Record Period for an average of 5.8 years. Such stable and close working relationship is crucial to quality control and the timely completion of our projects. As at the Latest Practicable Date, we have a pool of over 370 subcontractors from which we select for our projects. We believe that our stable relationships with our major subcontractors enable us to secure the availability of subcontractors in a timely manner. This in turn enables us to maintain consistency in the quality of our services and flexibility when procuring services.

### **Emphasis on quality control, occupational health and safety and environmental protection**

According to the Industry Report, the entry barrier as a fit-out solutions provider for Grade A offices is higher than that for the other commercial premises. The occupiers for Grade A offices normally require high quality fit-out work and they are willing to pay a premium for quality. Further, in order for us to maintain a leading position, we place strong emphasis on quality control, occupational health and safety as well as environmental protection. We have been accredited with ISO 9001 (quality management), ISO 14001 (environmental management) and OHSAS 18001 (occupational health and safety) certifications since 2014, 2016 and 2016, respectively. In addition, in order to effectively control our risk exposure in relation to quality, occupational health and safety as well as the environmental impact, we adopt procedures which require all of the workers engaged by our subcontractors to attend site safety and toolbox training. We also implement a comprehensive quality management system covering areas such as project management, material procurement and subcontracting and relationship with our clients, to ensure that our projects can achieve high quality standards. For details, please see the section headed “— Quality Control”. We also perform on-site inspection to ensure their compliance to the safety and environmental requirements. We believe the stringent risk management procedures together with the international certifications that we possessed have enhanced our credibility and clients' confidence in us.

### **Experienced and efficient management team and key personnel**

Our management team is led by our chairman, Mr. Wong, and our chief operating officer, Mr. Wong Kin Kei who has over eight years and over 15 years' experience in the fit-out industry,

## BUSINESS

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respectively. Our executive Directors also have extensive industry knowledge, project management experience and industry expertise in the fit-out business as well as other ancillary operations. For details of the credential and professional experience of our management team, please see the section headed “Directors and Senior Management”. We believe that the collective knowledge, experience and expertise of our management team enables us to seek out new business opportunities and enhances our Company profile which will continue to fuel our business growth.

### BUSINESS STRATEGIES

We are committed to further expanding our scale of business and strengthening our market leading position in the Grade A offices fit-out industry in Hong Kong. We plan to accomplish our goal through the following strategies:

#### **Further strengthen our market leading position in the fit-out industry in Hong Kong**

Leveraging on our strong reputation in the industry, we plan to further strengthen our market leading position in the fit-out industry in Hong Kong by taking on more and larger-size projects in the Grade A office premises. According to the Industry Report, there has been an increasing supply of commercial office premises outside of the traditional central business district areas in Hong Kong to areas such as Quarry Bay, Tsim Sha Tsui, Kwun Tong and Kowloon Bay. As these newly-developed business districts tend to offer more competitive rental fees, they attract corporations to relocate to or expand into these areas, which drive the demand for fit-out services. Given our well-established reputation in the industry particularly in the Grade A office premises segment, we will continue to tap into this growing market and strengthen our market position.

[REDACTED] from the [REDACTED] will enrich our financial resources and allow us to take on larger-scale projects which require higher start-up costs and larger sums of surety bonds. The [REDACTED] can, in particular, enhance our cash liquidity at the beginning stages of the projects. We usually settle the payment upfront with our suppliers and made certain pre-payments to our subcontractors before their delivery of materials or rendering of services. For details, please see the paragraph headed “— Credit Management”. In addition, we are sometimes required to provide surety bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favor of our clients to secure our performance under the contracts. These surety bonds generally expire or are released upon the practical completion of our project or as otherwise specified in the respective contracts. For further information on surety bonds, please see the paragraph headed “—Project Implementation and construction stage — Preparation of project administration”. We believe taking on larger-scale projects will enable us to further establish ourselves as a reliable and capable fit-out solutions provider, which will in turn attract more prospective tender invitations and new business opportunities in larger projects and further strengthen our market position in line with our Group’s expected growth .

#### **Expand our project management and client servicing team**

During the Track Record Period, we worked on a total of 187 projects, of which 88 of them are bare shell fit-out projects. To further capture market share and expand our client base, we intend to recruit additional manpower with project management experience to form a designated client servicing team which serves as a direct and regular liaison point for our new and recurring clients. The team will proactively follow up with our clients throughout the project implementation stage as well as after completion to strengthen our relationships on an ongoing basis. With a designated team focusing on certain target clients, we believe it can promote client loyalty which allows us to keep abreast of their future development and renovation plans. In relation to our working capacity, we will expand our project

## BUSINESS

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and construction management teams to enhance our execution capabilities in light of our upcoming project pipeline. In particular, we plan to recruit additional project managers, site supervisors, site managers, quantity surveyors and MEP specialists to expand our project execution capacity. With the enhanced manpower, we can take on a greater number of projects and projects of larger scales. Additionally, we will recruit additional experienced safety and quality control consultants to further heighten the standard of our services, minimize safety risks and detect any potential defects during the project implementation stage.

### **Continue to enhance our project implementation system and develop new management system and technology**

We aim to further improve our existing standardized project management and execution system to enhance its usability and intuitiveness. The revamped system will enable us to, among others, generate automated master work plan based on the particular parameters pertaining to the project, devise step-to-step actions plan and generate site operation checklist. These new features of our improved project management and execution system will enable us to have even more stringent control over each step of the implementation process of our projects as well as timely completion of our projects. For instance, the revamped system will allow us to track the insurance records, payment schedule and variation orders of our projects, assign staff rosters, generate project checklists and set due dates for individual items necessary for our onsite operations. We will also upgrade our overall information technology system to accommodate the revamped protocol and ensure performance stability. We believe that our strong focus on quality control provides assurance to our clients and enhances their confidence in our services rendered.

### **Pursue suitable acquisition, partnership and investment opportunities**

In order to enhance our market share, we plan to expand our business through both organic growth and strategic acquisitions, partnerships and investments. We intend to selectively invest in or enter into strategic partnerships with other industry players to further broaden our collective expertise and resources. We will only acquire, partner with or invest in companies which we consider to be complementary to our existing business. Before making a decision on an acquisition, partnership or investment, we will carefully consider our options and conduct appropriate due diligence. As at the Latest Practicable Date, we have not identified any specific acquisition, partnership or investment target or commenced any negotiation for any acquisition, partnership or investment.

### **SCOPE OF OUR SERVICES AND BUSINESS MODEL**

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. Our role in these fit-out projects entails the overall project management, coordination and implementation of fit-out projects by engaging subcontractors from different trades for their services and labor, providing or procuring the necessary materials from our suppliers of materials and providing expertise such as controlling the quality aspects of the projects and carrying out corresponding project management. The actual fit-out works are performed by the subcontractors engaged by us. We are responsible to our clients for the workmanship quality and timely delivery of the entirety of the fit-out work for which we are engaged to manage and oversee.

The majority of our projects involve providing fit-out solutions for the offices of prominent financial institutions, insurance companies and other multi-national companies. During the Track Record Period, we were directly engaged by our clients for approximately 54.4% of our projects, whose offices

## BUSINESS

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we provided fit-out solutions for. The remaining projects were entered into with project management company of the particular project, which is usually engaged by the client to oversee the overall implementation of fit-out projects. Such project management companies also coordinate with us as well as other related professional consultants such as quantity surveyors and interior designers. Regardless of whether our contracts are entered into with our clients directly or with the project management companies, our responsibilities as an interior fit-out solutions provider remain the same.

The scope of our services differs depending on the needs of the client and the area within the premises that requires fit-out services. When we undertake a project, the renovation work is carried out by the subcontractors engaged by us to perform a wide array of services under our supervision, such as mechanical and electrical services, electrical installation and general furniture and furnishing installation including ceiling and wall finishes. For details on our subcontractors, please see the section headed “—Our Subcontractors”.

During the Track Record Period, the main categories of our services include: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. During the Track Record Period, we obtained all of our bare shell fit-out projects through tendering process.

Our fit-out solutions projects where subcontractors would carry out the actual fit-out work are classified as “construction contracts” under our accounting policy. The duration of the project generally range from six to twelve weeks. For bare shell fit-out, restacking, reinstatement, the revenue is recognized by way of revenue recognition method of “construction contracts” by reference to the stage of completion of the contracts and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that the recoverability is probable and such contract costs is recognized as an expense when incurred. For maintenance and churn work, service revenue is recognized in the accounting period in which the services are rendered.

### **Bare shell fit-out**

Our bare shell fit-out work is, in general, undertaken with respect to the interior space of a vacant premise which usually only has basic flooring and plastered walls. In the context of commercial premises, bare shell fit-out work is often required before an occupier moves into a vacant office space. Depending on the particulars of the contract and our client’s requirements, the bare shell fit-out services we provide generally cover areas such as office spaces and the reception and lobby areas of our corporate and institutional clients. It involves carrying out fit-out work to bare shell office space such as installation of mechanical and electrical services, flooring, ceiling, and partitioning setting up of workstations, pantries, conference rooms and reception area. During the Track Record Period, revenue generated from bare shell fit-out projects constituted approximately 83.4% of our total revenue, as corporations tended to reduce operating costs by relocating to Grade A offices with lower rental fee, which in turn drove the demand for bare shell fit-out services.

### **Restacking**

Restacking involves upgrades and re-planning and modification work to the existing interior structure of the premise. It involves demolishing parts of the existing furnishings, adding furniture or replacing the existing ceiling, flooring or wall finishes. We also provide any necessary ancillary modifications to the electrical system and mechanical and electrical services, through our subcontractors. Restacking is generally done while the existing tenant is still in occupancy of the premise.

## BUSINESS

### Reinstatement

Before our clients move out from their existing offices to new locations, they are often required to restore the offices to their original states by the time they move out according to the terms of the their tenancy agreement with the landlords. Reinstatement work involves demolishing any additional moveable structures that were installed by the existing tenant, as well as restoring the mechanical and electrical services, ceiling, flooring and wall finishes according to the specifications set by the landlord.

### Maintenance and churn work

We also provide general office maintenance services such as minor repairs and general builder’s maintenance work to their office facilities, pest control and emergency call service for a pre-determined period. These are generally value-adding services we offer to our clients after the completion of their bare shell fit-out or restacking projects. Depending on the nature of work and arrangements with our clients, we are retained for our maintenance services at a monthly or annual fee, or according to a pre-determined contract sum. Churn work involves providing piecemeal repairs and modification work to our clients’ offices.

### OUR PROJECTS

During the Track Record Period, we worked on a total of 187 projects in Hong Kong. The table below sets forth details of our top ten projects with the highest revenue recognized for the respective year during the Track Record Period:

#### *For the year ended March 31, 2016*

No.	Client	Location	Type of premise	Service	Approximate total GFA	Project Sum	Revenue recognized for the year ended March 31, 2016	Commencement Date	Practical completion Date
					‘000 sq. ft.	HK\$’000	HK\$’000		
1.	Client HI	Wanchai	Grade A office	bare shell fit-out	76.0	41,380	41,380	December 2015	March 2016
2.	Client V	Central	Grade A office	bare shell fit-out	26.0	20,651	20,651	August 2015	November 2015
3.	Client HS	Ap Lei Chau	school	bare shell fit-out	15.0	17,729	17,729	June 2015	September 2015
4.	Client P	Quarry Bay	Grade A office	bare shell fit-out	42.4	17,085	17,085	December 2015	January 2016
5.	Client CZ	Causeway Bay	Grade A office	bare shell fit-out	15.7	11,598	11,598	May 2015	August 2015
6.	Client VE <sup>(1)</sup>	North Point	Grade A office	restacking	27.5	10,988	10,988	September 2015	December 2015
7.	Client L <sup>(2)</sup>	Wanchai	Grade A office	bare shell fit-out	28.0	9,283	9,283	May 2015	November 2015
8.	Client U <sup>(3)</sup>	Central	Grade A office	bare shell fit-out	28.9	8,757	8,757	February 2015	May 2015
9.	Client MR <sup>(4)</sup>	Jordan	serviced apartment	restacking	6.3	8,200	8,200	September 2015	October 2015
10.	Client AC	Wong Chuk Hang	Grade A office	bare shell fit-out	49.4	21,224	7,594	February 2016	May 2016

## BUSINESS

### Notes:

1. Client VE is a group company of an American telecommunications conglomerate
2. Client L is a group company of a French cosmetics conglomerate
3. Client U is Singaporean multinational bank
4. Client MR is a serviced apartment property in Jordan

### For the year ended March 31, 2017

No.	Client	Location	Type of premise	Service	Approximate total GFA '000 sq. ft.	Project Sum HK\$'000	Revenue recognized for the year ended March 31, 2017 HK\$'000	Revenue expected to be recognized for the year ending March 31, 2018 HK\$'000	Commencement Date	Actual/expected Practical completion Date
1.	Client CL	Hunghom	Grade A office	bare shell fit-out	142.8	65,373	65,373	—	September 2016	December 2016
2.	Client B	Central	Grade A office	reinstatement	20.0	21,169	21,169	—	August 2016	January 2017
3.	Client P	Tsim Sha Tsui	Grade A office	bare shell fit-out	23.8	19,009	19,009	—	September 2016	November 2016
4.	Client RS	The Peak	residential property	bare shell fit-out	5.0	21,020	16,437	4,583	November 2016	July 2017
5.	Client AC	Wong Chuk Hang	Grade A office	bare shell fit-out	49.4	21,224	13,630	—	February 2016	May 2016
6.	Client ZH <sup>(1)</sup>	Central	Grade A office	bare shell fit-out	11.0	11,125	11,125	—	August 2016	October 2016
7.	Client HL <sup>(2)</sup>	Kwun Tong	Grade A office	bare shell fit-out	15.0	30,900	9,400	21,500	January 2017	December 2017
8.	Client UP	Cenral	Grade A office	restacking	14.5	9,285	9,285	—	November 2016	January 2017
9.	Client AM <sup>(3)</sup>	Causeway Bay	Grade A office	bare shell fit-out	11.7	7,956	7,956	—	October 2016	November 2016
10.	Client AC	Wong Chuk Hang	Grade A office	bare shell fit-out	49.4	7,216	7,216	—	December 2016	February 2017

### Notes:

1. Client ZH is a company listed on the Stock Exchange and a Chinese joint-stock commercial bank
2. Client HL is a Hong Kong fit-out company
3. Client AM is a subsidiary of the web services branch of an America electronic commerce and cloud computing group

### Projects after the Track Record Period

From April 1, 2017 and up to the Latest Practicable Date, we were newly awarded a total of eight bare shell fit-out projects, five restacking projects and three reinstatement projects with a total project sum of approximately HK\$80.1 million. As at the Latest Practicable Date, we had submitted tender for 15 projects which we had yet to receive results with a total expected project sum of approximately HK\$165.9 million.

## BUSINESS

### *Project Awarded from April 1, 2017 to Latest Practicable Date*

Client	Location	Type of premise	Service	Approximate total GFA ‘000 sq. ft.	Estimated revenue to be recognized for the year ending March 31, 2018 HK\$’000	Commencement date	Expected completion date
1. Client F <sup>(1)</sup>	Wanchai	Grade B office	bare shell fit-out	4.7	7,700	April 2017	June 2017
2. Client HB	Tai Kok Tsui	Grade A office	restacking	15.7	25	April 2017	April 2017
3. Client CL	Wanchai	Grade A office	bare shell fit-out	4.6	360	April 2017	September 2017
4. Client AI and Client FS	Wan Chai	Grade A office	bare shell fit-out	12.8	8,100	April 2017	July 2017
5. Client M <sup>(3)</sup>	International Commerce Center	Grade A office	restacking	70.0	1,085	May 2017	July 2017
6. Client CM <sup>(4)</sup>	Central	Grade A office	restacking	2.6	890	April 2017	July 2017
7. Client AC	Wong Chuk Hang	Grade A office	bare shell fit-out	106.3	21,160	May 2017	June 2017
8. Client I <sup>(5)</sup>	Central	Grade A office	reinstatement	14.5	4,150	June 2017	July 2017
9. Client VE	Taikoo	Grade A office	restacking	27.5	100	May 2017	June 2017
10. Client ST	Sheung Wan	Grade A office	reinstatement	10.0	380	May 2017	June 2017
11. Client HB	Shek Mun	Grade A office	bare shell fit-out	37.7	6,997	May 2017	September 2017
12. Client ID <sup>(6)</sup>	Wanchai	Grade B office	restacking	5.1	179	May 2017	May 2017
13. Client N <sup>(7)</sup>	Sai Kung	school	bare shell fit-out	80.0	20,000	June 2017	August 2017
14. Client HB	Tai Kok Tsui	Grade C office	bare shell fit-out	23.5	3,723	June 2017	June 2017
15. Client AC	Kowloon Bay	Grade A office	reinstatement	20.9	2,214	July 2017	July 2017
16. Client AP <sup>(8)</sup>	North Point	Grade A office	bare shell fit-out	10.0	3,070	June 2017	August 2017
<b>Total</b>					<b>80,133</b>		

#### *Notes:*

- Client F is a federation for an ethnic community in China
- Client AI and Client FS are two private companies incorporated in Hong Kong
- Client M is a global financial services firm providing investment banking, securities, wealth management and investment management services
- Client CM is a subsidiary of a Chinese bank listed on the Stock Exchange
- Client I is a subsidiary of a Chinese financial group listed on the Stock Exchange
- Client ID is an international design and construction firm
- Client N is an international school in Hong Kong
- Client AP is an organization providing consultation and training programs for children with special needs

## BUSINESS

### *Projects in progress from April 1, 2017 to Latest Practicable Date*

Client	Location	Type of premise	Service	Approximate total GFA ‘000 sq. ft.	Expected total project sum (Note 1) HK\$’000	Revenue for the year ended March 31, 2017 HK\$’000	Estimated revenue to be recognized for the year ending March 31, 2018 HK\$’000	Commencement date	Expected completion date
1. Client RS	The Peak	residential property	bare shell fit-out	5.0	21,000	16,437	4,563	November 2016	July 2017
2. Client SG	Pacific Place	Grade A office	restacking	128.0	16,160	6,163	9,997	December 2016	July 2017
3. Client HL	Kwun Tong	Grade A office	bare shell fit-out	15.0	30,900	9,400	21,500	January 2017	December 2017
4. Client CL	Wanchai	Grade A office	bare shell fit-out	4.6	360	—	360	April 2017	September 2017
5. Client M <sup>(1)</sup>	International Commerce Center	Grade A office	restacking	70.0	1,085	—	1,085	May 2017	July 2017
6. Client I <sup>(2)</sup>	Central	Grade A office	reinstatement	14.5	4,150	—	4,150	June 2017	July 2017
7. Client HB	Shek Mun	Grade A office	bare shell fit-out	37.7	6,997	—	6,997	May 2017	September 2017
8. Client N <sup>(3)</sup>	Sai Kung and Tai Tam	school	bare shell fit-out	145.0	20,000	—	20,000	June 2017	August 2017
9. Client HB	Tai Kok Tsui	Grade C office	bare shell fit-out	23.5	3,723	—	3,690	June 2017	August 2017
10. Client AC	Kowloon Bay	Grade A office	reinstatement	20.9	2,214	—	2,214	July 2017	July 2017
11. Client AP <sup>(4)</sup>	North Point	Grade A office	bare shell fit-out	10.0	3,070	—	3,070	June 2017	August 2017
<b>Total</b>					<b>109,659</b>	<b>32,000</b>	<b>77,626</b>		

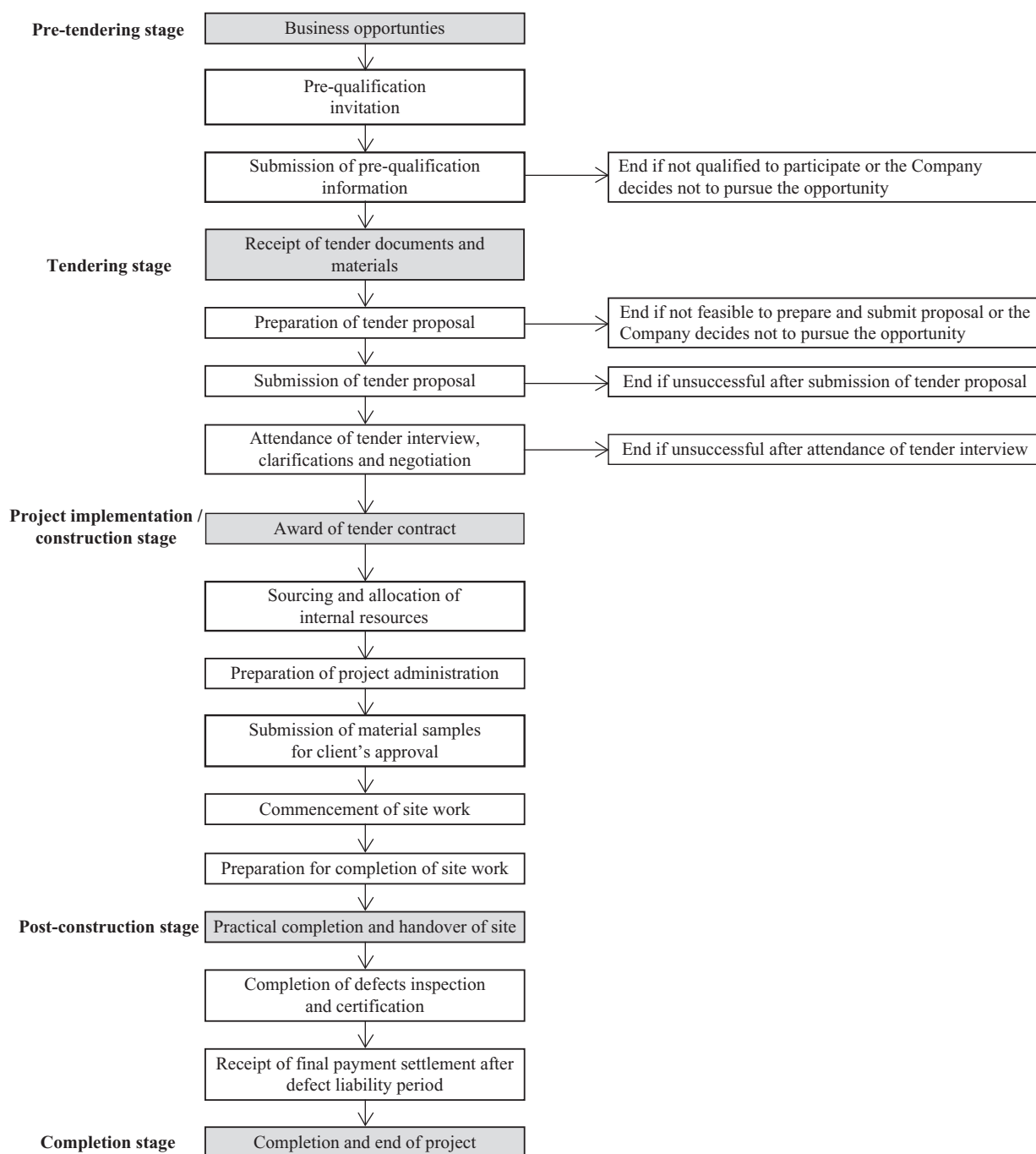
#### Notes:

- Client M is a global financial services firm providing investment banking, securities, wealth management and investment management services
- Client I is a subsidiary of a Chinese financial group listed on the Stock Exchange
- Client N is an international school in Hong Kong
- Client AP is an organization providing consultation and training programs for children with special needs

### OUR OPERATION FLOW

We have developed a comprehensive project management system for our business operations. For illustrative purposes, the following chart sets forth the key stages of our operating flow which generally applies to our bare shell fit-out, reinstatement and restacking projects that we have undertaken. For the maintenance and churn work services, we are generally not required to go through tendering process. We will engage the subcontractors to perform the specific work that is required by our client.

## BUSINESS



### Pre-tendering stage

During the Track Record Period, we obtained all of our bare shell fit-out projects through tender processes. Potential clients or their designated project management companies approach us with tender opportunities through referrals, word-of-mouth or through our own consistent marketing effort with our existing clients and project management companies.

### Pre-qualification

Potential clients, or through their project management companies, send us notifications containing brief particulars of projects. If we are interested in the project, we will normally provide information on our organizational structure, track record in similar projects and financial standing.

## BUSINESS

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### **Tendering stage**

#### ***Invitation to tender and preparation of tender submission***

If we pass the pre-qualification screening, we typically receive the tender documents and invitations to submit tender. The tender documents typically set out the conditions of the tender, payment terms, amount and kinds of insurance to be obtained, specifications and design drawings and a set of submission criteria including time and place of submission.

To prepare for the tender submission, our in-house quantity surveyor, site manager and project manager will collaborate to conduct feasibility and profitability assessments on the project based on criteria such as the background and financial standing of the client, project type, project schedule, payment terms and its technical requirements, as well as costs of subcontracting, materials, insurance and the availability of surety bonds. In order to make accurate estimates of our costs, we source non-binding quotations from our subcontractors and suppliers of materials. We adopt a cost-plus pricing model to determine our proposed contract price under the tender. The profit margin of each project is determined by various factors including project size, location and complexity, potential cost structure, materials and labor costs required, payment terms and completion schedule. Our tender submission documents typically include information such as the schedule of rates, proposed project team structure, proposed construction plan and timeframe of the project. The tender preparation stage generally lasts for one to two weeks.

#### ***Tender selection process***

Our potential clients and their project management companies may invite tender candidates for interviews in order to have a better understanding of the project implementation plan, to respond to their queries as well as discuss the pricing and/or contract terms. After the interview, we will review and take into account matters discussed during the interview and submit the revised documents for their consideration. Where there are no tender interviews, the clients will make their decisions based on the information we have submitted and their own criteria and considerations. The tender selection stage generally lasts for one to six weeks.

During the Track Record Period, our tender success rate was approximately 52.2% and 62.7% for the two years ended March 31, 2016 and 2017, respectively (calculated based on the number of tenders awarded through tendering divided by the total number of tenders submitted by us during the respective financial year).

### **Project implementation and construction stage**

#### ***Allocation of internal resources***

Once the contract is awarded to us, we put together a project team and prepare our drawings with actual measurements of the dimensions of the work site together with proposed structures and furnishings in order to provide feedback to the interior designers on their pre-construction designs. Our project team normally comprises the following members for the overall day-to-day management and operation of the project:

- *project manager*: responsible for the overall implementation and administration of the project including overseeing the carrying out of the project and budgeting, assigning and allocating work to the relevant staff, setting up the reporting channels and communicating with the client’s project team;
- *quantity surveyor*: performs cost estimation, assesses work progress and quantity of work completed, prepares payment applications to clients, monitors settlement status and processes subcontractors’ invoices;

## BUSINESS

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- *site manager*: supervises and monitors the overall workforce and work progress on-site, supervises workmanship and work quality as well as coordinates with our safety officer to implement our occupational health and safety management on-site;
- *safety officer*: develops and supervises the implementation of on-site safety and environmental measures according to statutory requirements, carries out on-site safety and environmental inspection and ensures compliance; and
- *project coordinator*: handles day-to-day coordination and communication with our subcontractors and suppliers of materials.

Before the commencement of the project, our project team prepares and submits a master program for the project setting out key milestone dates (e.g. commencement date and date of practical completion) to our client or its consultant team. The master program is reviewed and updated regularly during the project implementation.

### ***Preparation of project administration***

Tender documents usually include the clients’ interior design drawings together with the specifications of materials, products and/or equipment to be used. According to these requirements, we prepare a comprehensive and actionable work plan with detailed descriptions of the steps and procedures as well as the particulars of the items to be used and submit for our clients’ approval. Sometimes we may be required to engage subcontractors from the pre-approved list designated by the building management office of the premises involved.

We are sometimes required to provide surety bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favor of our clients to secure our performance under some of our contracts. The amount of the surety bonds required for each project is typically 10 to 30% of the total contract sum. These surety bonds generally expire or are released upon practical completion of our project or as otherwise specified in the respective contracts. As confirmed by our Directors, there was no claim or forfeiture on any surety bonds during the Track Record Period and up to the Latest Practicable Date.

We will also obtain all the necessary insurance at this stage according to the applicable laws and regulations and the requirements under the contracts. For details in relation to our insurance coverage, please see the paragraph headed “— Insurance”. Once our clients approve the choice of materials that we have proposed and submitted, we will proceed to procure these materials, which are usually delivered directly to the work site to be utilized by our subcontractors.

### ***Commencement of site work***

Upon the commencement of site work, our team will closely monitor the work progress against the master program as well as provide weekly updates to our clients and their consultant team to report on matters such as site work progress and safety performance review. We also provide on-site supervision to our subcontractors for work coordination, quality assurance and to ensure worksite safety. For details of our quality control measures over our subcontractors and the ways by which we strengthen our relationships with our clients during the project construction stage, please see the section headed “— Quality Control”.

Our clients or their project management companies may make modifications to the original designs or request for additional fit-out services by way of variation orders at an additional cost to be borne by our clients during the course of their projects. Variation orders may include, for instance, changes to the

## BUSINESS

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quality, position or dimension of the furniture or appliances. They can also include any changes to the sequence, method or timing of our fit-out work. The rates for the work undertaken pursuant to variation orders are usually specified in our tender submissions. After receiving instruction of a variation order, we will prepare a costs estimation and submit to our clients for approval before we proceed.

### **Post-construction and project completion stages**

#### ***Practical completion***

Before practical completion, our team will conduct on-site inspection together with our clients or their consultant teams to ensure that the fit-out work has been satisfactorily done. After the inspection, the client's consultant team will then issue a certificate of practical completion certifying that the project is substantially completed and is approved for handover. Upon the issue of such certificate, the surety bond, if any, is also normally released. The duration of the projects can depend on various factors such as their scale and complexity. During the Track Record Period, the period from the commencement of the construction work to the issuance of the practical completion certificate generally took about six to twelve weeks.

#### ***Defect liability period***

Our contracts generally stipulate a defect liability period, during which we are responsible to rectify defects identified at our cost. During the Track Record Period, the defect liability period of our projects on average lasted for 12 months after the issue of practical completion certificate. Generally, we require similar defect liability period from our subcontractors for risk management purpose so that our subcontractors are responsible for rectifying the defects of their work done or materials procured at their costs.

### **OUR CLIENTS**

The majority of our clients are prominent financial institutions, insurance companies and other multi-national companies. In line with market practice and due to the nature of our business, for our bare shell fit-out, reinstatement and restacking projects, our clients award contracts to us on a project-by-project basis and we do not enter into long-term contract with any of our clients for such matters.

For the two years ended March 31, 2016 and 2017, revenue derived from our five largest clients accounted for approximately 53.9% and 54.9% of our total revenue, respectively. For the same period, revenue derived from our largest client accounted for approximately 17.9% and 23.3% of our total revenue, respectively.

The profiles of our top five clients during the Track Record Period are set out as follows in no particular order:

#### **Client HI**

Client HI is a company listed on the Stock Exchange and the holding company of a Chinese financial group, which provides a wide range of financial services including, among others, brokerage services on securities, investment banking, futures and asset management. Our business relationship started in 2015 when we were engaged for bare shell fit-out services. During the Track Record Period and up to the Latest Practicable Date, we have been engaged for bare shell fit-out and maintenance services.

## BUSINESS

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### Client V

Client V is a subsidiary of an American investment management company, which provides a wide range of investment products such as mutual funds and exchange-traded funds. Our business relationship started in 2011 when we were engaged for bare shell fit-out services. During the Track Record Period, we have been engaged for our bare shell fit-out, reinstatement and maintenance services.

### Client HS

Client HS is an international school in Hong Kong. Our business relationship started in 2015 when we were engaged for our bare shell fit-out services. During the Track Record Period, we have been engaged for our bare shell fit-out and churn work.

### Client P

Client P is a group company of a British multinational life insurance and financial services group, which provides a wide range of insurance products. Our business relationship started in 2015 when we were engaged for bare shell fit-out services. During the Track Record Period and up to the Latest Practicable Date, we have been engaged for our bare shell fit-out and churn work.

### Client J

Client J is a group company of an American financial and professional services group specializing in commercial real estate services and investment management. Our business relationship started in 2012 when we were engaged for our bare shell fit-out services. During the Track Record Period, we have been engaged for bare shell fit-out, maintenance and churn work services.

### Client CL

Client CL is a company listed on the Stock Exchange and the holding company of a Chinese insurance group, which provides a wide range of insurance products. Our business relationship started in 2016 when we were engaged for bare shell fit-out services. During the Track Record Period and up to the Latest Practicable Date, we have been engaged for bare shell-fit out, and restacking services.

### Client AC

Client AC is a subsidiary of a French multinational insurance firm, which provides a wide range of life, health, property and casualty insurance products and services. Our business relationship started in 2012 when we were engaged for restacking services. During the Track Record Period, we have been engaged for our bare shell fit-out, restacking and churn work.

### Client B

Client B is a subsidiary of a British multinational bank and financial services group, which provides a full-spectrum of banking, financial and investment services. Our business relationship started in 2016 when we were engaged for reinstatement services. During the Track Record Period, we have been engaged for reinstatement services.

### Client RS

Client RS is an architecture, interior design and engineering firm based in China. Our business relationship started in 2016 when we were engaged for bare shell fit-out services. During the Track Record Period and up to the Latest Practicable Date, we have been engaged for bare shell fit-out services.

## BUSINESS

The details of our top five clients and breakdown of their respective revenue contribution during the Track Record Period are set out as follows:

*For the year ended March 31, 2016*

Rank	Client	Services provided	Revenue recognized for the year HK\$'000	Percentage of total revenue (%)	Length of relationship year(s)
1.	Client 1	bare shell fit-out	41,380	17.9	2
2.	Client 2	bare shell fit-out, restacking and churn work	27,472	11.9	6
3.	Client 3	bare shell fit-out, maintenance and churn work	20,908	9.0	8
4.	Client 4	bare shell fit-out	17,729	7.7	3
5.	Client 5	bare shell fit-out churn work	17,085	7.4	3
Total			<b>124,574</b>	<b>53.9</b>	

*For the year ended March 31, 2017*

Rank	Client	Services provided	Revenue recognized for the year HK\$'000	Percentage of total revenue	Length of relationship year(s)
1.	Client 6	bare shell fit-out	65,372	23.3	2
2.	Client 2	bare shell fit-out restacking and churn work	25,670	9.1	6
3.	Client 5	bare shell fit-out	25,514	9.1	3
4.	Client 7	reinstatement	21,169	7.5	2
5.	Client 8	bare shell fit-out	16,437	5.9	2
Total			<b>154,162</b>	<b>54.9</b>	

During the Track Record Period, Client 2, a prominent multi-national insurance companies, was one of our suppliers of insurance services and also our major client. The reason for such arrangement was because for the projects involving Client 2 as our client, the insurance was pre-arranged by the client as part of the contract. We also source appropriate insurance policies through our independent insurance broker, who provides us the most suitable options from the market for our business needs, which may include insurance products from Client 2. For the two years ended March 31, 2016 and 2017, the insurance expenses attributable to Client 2 was nil and HK\$0.3 million, respectively. We are of the view that the insurance expenses paid to Client 2 were in line with market rate.

For the year ended March 31, 2017, Client ST was one of our top ten clients, who engaged us for fit-out solutions in their capacity as a design-and-build main contractor for a number of projects, and also one of our subcontractors for MEP system consultancy and provision of interior design services for other projects. The reason for such arrangement was that Client ST is an integrated interior service provider who also has the capabilities to act as a design-and-build main contractor and provide specialist services such as MEP system and interior design consultancy. For the two years ended March 31, 2016 and 2017,

## BUSINESS

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the revenue recognized from Client ST was approximately HK\$8.0 million and HK\$13.7 million, respectively, while our purchases from them was HK\$0.7 million and nil respectively.

### Sustainability of our business

In line with the industry norm, our business is project-based and as a result our clients mix differs from year to year. In addition, most of our revenue is derived from projects awarded through tendering process. As confirmed by the Industry Consultant, this is a common occurrence in our industry and is not specific to us. For the associated risks, please see the paragraphs “Most of our revenue is derived from contracts awarded through competitive tendering and the contracts are not recurring in nature. Our Group’s business depends on its success on project tenders” and “Our Group’s business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular” under the section “Risk Factors – Risks relating to Business and Operations of Our Group” in this document. Despite the nature of our business, we were able to secure contracts from new clients as well as repeated clients.

Despite the foregoing, we consider that the following factors contribute to the sustainability of our business:

- (i) we have established stable relationships with our clients, which was built upon our years of expertise, reputation in the industry and past project references. Our industry expertise allows us to implement projects with efficiency and in a cost-effective manner to our clients’ satisfaction. For example, our repeated clients include Client V, Client AC, Client S and Client Z, who have been our clients since 2011, 2012, 2013 and 2013 respectively, and have engaged us for various services over the years. During the Track Record Period, these repeated clients were among our five largest clients for the same period. They have accounted for approximately 9.0% and 25.5% of our revenue for the two years ended March 31, 2016 and 2017, respectively;
- (ii) we have throughout the years built up a strong network of clients and other professional industry players, which have from time to time presented us with business opportunities. We have also received letters of recommendation and/or letters of appreciation from our clients, which praised us for our timely completion of their projects, high quality of workmanship and adherence to the project budget. From April 1, 2017 and up to the Latest Practicable Date, we were awarded a total of 30 projects with a total project sum of approximately HK\$83.5 million, which also demonstrates our ability to secure new contracts;
- (iii) owing to our reputation, industry expertise and track record as well as the substantial resources that we devote into the preparation of our tender submissions, during the Track Record Period, our tender success rate increased from approximately 52.2% to 62.7% for the two years ended March 31, 2016 and 2017, respectively. Our consistently high tender successful rate demonstrates our ability to procure contracts, despite the need to go through the tendering process, which in turn shows that we have a better likelihood of maintaining a stable source of new projects in the future;
- (iv) after the Track Record Period and up to the Latest Practicable Date, we have been awarded 30 projects, 43 projects-in-progress and completed 16 projects. For details, please see the section headed “– Projects after the Track Record Period”. As at the Latest Practicable Date, we had a total of 43 projects on hand with a total contract sum of approximately HK\$117.3 million. As demonstrated by our strong projects pipeline after the Track Record Period and as at the Latest Practicable Date, we believe that our business prospect will remain strong; and

## BUSINESS

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- (v) we have continued to diversify our client base and attract new clients. During the Track Record Period, we worked on projects for a total of 102 clients, some of which were new clients, including Client HI and Client CL. We have also been selected as one of the main contractors of the approved vendor list of Client HB for the provision of fit-out services since May 2017.

### Key contract terms

During the Track Record Period, we were directly engaged by our clients for approximately 54.4% of our projects, whose offices we provided fit-out solutions for. The remaining projects were entered into with the project management company of the particular project who is usually engaged by the client in certain large-scale projects to oversee the overall implementation of fit-out projects.

Once we are awarded a project, we will enter into a contract which generally include the following key terms:

- *contract period*: the commencement date and expected completion date of the project;
- *scope of services*: the type and scope of work we are required to provide;
- *schedule of rates*: the detailed breakdown of the fee rates and quantities for each work item, component and material;
- *payment terms and retention money*: payment arrangement with our clients varies depending on the nature, scale and length of the project. Our clients are generally required to pay a percentage of the total contract sum upon signing of the contract, followed by progress payment, and in certain cases, 5% of retention fees. For details of the payment schedule, please see the section headed “— Credit Management”;
- *surety bonds*: for certain contracts, we are required to provide surety bonds. For details, please see the paragraph headed “— Project Implementation and construction stage — Preparation of project administration”;
- *liquidated damages*: an agreed daily rate of liquidated damages to which we are subject for each day of delay caused by us;
- *insurance*: the type and, for certain contracts, the amount of insurance coverage that we are required to obtain. For details, please see the paragraph headed “— Insurance”;
- *practical completion*: a certificate of practical completion is issued by each client upon substantial completion of work to the satisfaction of the client; and
- *defect liability period*: the period during which we are responsible to rectify defects in our work.

During the Track Record Period, none of our clients was our connected person and none of our Directors or their respective close associates (as defined under the GEM Listing Rules) or any of our Shareholders who to the knowledge of our Directors owned more than 5% of our issued share capital had any interest in our top five clients.

### OUR SUBCONTRACTORS

We primarily engage our subcontractors to perform a wide array of services under our supervision, such as mechanical and electrical services, electrical installation and general furniture and furnishing installation, including ceiling, flooring and wall finishes. Our subcontractors will be responsible for the procurement of raw materials relevant to their work stream. In certain occasion, we are responsible for

## BUSINESS

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the procurement of certain materials. The materials that are procured, whether by our subcontractors or by us, are delivered directly to the project site, thus avoiding the risk of damage while in storage as well as minimizing storage costs.

Our top five subcontractors for the Track Record Period are located in Hong Kong. For the two years ended March 31, 2016 and 2017, top five subcontractors accounted for approximately 35.6% and 39.5% of our total subcontracting charges.

### *Our subcontractors and selection criteria*

As at the Latest Practicable Date, we have a pool of over 370 subcontractors from which we select for our projects. This pool of suppliers are reviewed and updated on an ongoing basis by our management. We have also adopted internal control measures to ensure the quality of our subcontractors. When we select our subcontractors, they are assessed on criteria such as timeliness of completion, quality of work, pricing, reputation and staff expertise. For the new subcontractors who have passed our preliminary assessment, they will be engaged for smaller project as a way to pre-assess whether their services can comply with our specific project requirements. We generally only engage the subcontractors on our list of internally approved subcontractors, unless we are required to engage subcontractors from the pre-approved list designated by the building management office of the premise involved. In addition, we also ensure that they hold all the necessary registration or licenses for their trade of work before we engage them for their services. We believe that by adopting our subcontracting business model, we are able to maintain a low fixed cost in overhead and more effectively manage our projects by relying on others' established expertise and skill set when and as required.

### *Subcontracting framework agreement*

We generally enter into standard subcontracting framework agreements with our individual subcontractors. The actual orders are placed on an as-needed basis depending on the project requirements and schedule. The principal terms in our subcontracting framework agreements are as follows:

- *subcontractor's responsibilities:* to carry out and complete their work properly and up to the specified standard, take steps to ensure that (i) the workers are registered as a construction worker under the relevant laws and regulations, (ii) hold a valid “Green Card”, and (iii) have completed the necessary safety training;
- *obligations and liabilities:* the subcontractor shall assume our obligations and liabilities to the extent such obligations and liabilities relate to their scope of work. We will notify them of any defects that appear during the rectification period and the subcontractor will make good such defects within a reasonable time from our notification;
- *commencement and completion:* the subcontractor shall commence work at our direction and proceed diligently according to the pre-determined timeframe;
- *directions:* oral directions are expected to be carried out within two days. In the case of written directions, if the subcontractor does not comply with written directions with seven days after receipt, we have the right to engage third parties to carry out the work at the subcontractor's expense;
- *variation:* the subcontractor is not allowed to make any alternation or modification of the design, quality or quantity of their work. Any reasonable variation of the subcontracted work will be at our written direction and the subcontractor shall endeavor to agree to a fair and reasonable price;

## BUSINESS

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- *extension of time:* the subcontractor shall use their best endeavor to prevent or minimize any delay in the completion of their work and notify us in writing should there be a delay;
- *payment:* final payment shall only be due when (i) the subcontracted work is approved by our client; (ii) the subcontractor delivers to us all the necessary documents such as manuals, drawings, guarantees and warranties for the material and equipment and evidence that all the labor and material costs have been fully settled; and (iii) we receive the final payment from our clients;
- *disputes resolution:* any matters unresolved by direct negotiation, each party will consider resolving the dispute by way of mediation; and
- *health and safety:* the subcontractor undertakes to comply with all the relevant legislation and codes of practice in relation to health and safety.

### ***Risk management and control measures***

During the Track Record Period, we did not experience any material claims from our clients that required substantial rectification of work done by our subcontractors. To reduce our liability exposure, we have adopted the following risk management and control measures over our subcontractors to reduce our liability exposure:

- closely monitor the workmanship, progress control, safety, environment/pollution control, organization and resources during the course of the project, including conducting on-site inspection and meetings with them to address material issues and to provide guidance on smooth operations;
- evaluate the work performance and compliance of subcontractors as a whole periodically;
- investigate the cause of non-compliance and establish corrective and preventive actions;
- maintain records of any serious non-compliance regarding safety, environmental and other issues committed by our subcontractors;
- supply our subcontractors with our internal guidelines on safety and environmental issues and on compliance with applicable rules and regulations, and require them to follow. In particular, it is generally a condition precedent to payment in the subcontracting agreement that they provide us a written warranty and undertaking that they have paid their employees all monies due and payable by the time of such warranty and undertaking;
- generally only engage subcontractors listed on our list of internally approved subcontractors unless they are designated by the relevant building management office of the premise involved as nominated subcontractors;
- build in contractual provisions in the subcontracts which aim to safeguard our interests against their breach of the applicable rules and regulations which may subject us to liability issues; and
- take out employees’ compensation insurance to cover compensation and costs liable by us for personal injuries of our subcontractors’ employees in respect of the relevant projects. For details, please see the section headed “— Insurance”.

### ***Subcontracting fees and payment terms***

During tendering stage, we source non-binding quotations from our subcontractors to facilitate our cost estimation and pricing decision. We normally place our orders by way of purchase orders with our

## BUSINESS

subcontractors after we are formally awarded the contracts from our clients. In general, the subcontracting fees are determined with reference to the non-binding quotations received from the subcontractors at the tendering stage, the awarded contract sum, the scope of the works as well as the duration of the project.

We generally settle around 50% of the total fees to our subcontractors before their rendering of services. The rest of the payment is usually settled in stages after we receive progress payment from our clients. But we usually retain 5% of their total fees payable as retention money, which will be released at the end of our defect liability period under our clients’ contracts.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any material difficulty, shortage or quality issues with our subcontractors which has led to a material adverse impact on our business operations. We do not foresee any material difficulties with our subcontractors in the future.

### *Materials and procurement*

Our subcontractors are generally responsible for the procurement of raw materials relevant to their work stream, the cost of which is normally included in their subcontracting fees.

### **Our top five subcontractors**

We have established long term relationships with our five largest suppliers (which were all subcontractors) during the Track Record Period for over 6.8 years on average. Over the years, we have been working closely with them and have maintained good relationships.

The details of our top five subcontractors for the year ended March 31, 2016 are set out as follows:

Rank	Subcontractor	Subcontracting charges HK\$’000	Percentage of total	Service provided	Length of relationship
			Subcontracting charges %		
1.	Subcontractor W	26,793.4	14.6	builders work	8
2.	Subcontractor A	11,832.4	6.5	electrical work	4
3.	Subcontractor O	9,574.5	5.2	partitioning and ceiling work	8
4.	Subcontractor F	8,980.0	4.9	electrical work	5
5.	Subcontractor J	8,031.2	4.4	partitioning work	8
Total		<b>65,211.5</b>	<b>35.6</b>		

## BUSINESS

The details of our top five subcontractors for the year ended March 31, 2017 are set out as follows:

Rank	Subcontractor	Subcontracting charges HK\$'000	Percentage of total Subcontracting charges %	Service provided	Length of relationship
1.	Subcontractor W	29,617.4	13.3	builders work	8
2.	Subcontractor T	19,243.0	8.7	mechanical and engineering work	7
3.	Subcontractor A	17,877.6	8.1	electrical work	4
4.	Subcontractor O	10,952.2	4.9	partitioning and ceiling work	8
5.	Subcontractor J	10,037.6	4.5	partitioning system	8
	Total	<b>87,727.8</b>	<b>39.5</b>		

During the Track Record Period, none of our subcontractors were our connected persons and none of our Directors or their respective close associates (as defined under the GEM Listing Rules) or any of our Shareholders who to the knowledge of our Directors owned more than 5% of our issued share capital had any interest in our top five subcontractors.

## INVENTORY MANAGEMENT

We did not carry any inventory during the Track Record Period.

## SALES AND MARKETING

As at the Latest Practicable Date, our sales and marketing efforts are led by Mr. Wong, who has over eight years of relevant experience. He is primarily responsible for devising short and long-term business goals, building client relationships, identifying business opportunities and maintaining up-to-date market information. Our project management team is responsible for liaising with our clients and collecting their feedback on an on-going basis. As the quality of our services is highly recognized by our clients, we also receive referrals for invitation to tender from our existing clients and project managers from time to time.

## PRICING

Our business is project based and the project sum varies depending on the services we provide. We adopt a cost-plus pricing model. We generally determine the appropriate mark-up, by taking into account our clients' acceptable fee range and the market price. At the tendering stage, our quantity surveyor, site manager and project manager collaboratively determine the profit margin of a project based on various factors including potential costs structure, complexity of the project, human resources required, payment terms and completion schedule. We also take into account the pricing trends of materials and subcontracting cost and previous pricing records for similar projects. By keeping our costs at a manageable level, we seek to price our service at a competitive fee point whilst maintaining our profitability.

## BUSINESS

### CREDIT MANAGEMENT

As a common practice in our industry, our fees for the bare shell fit-out, restacking and reinstatement projects are paid by stages according to the progress of the projects. The payment terms and schedule are set out in the contract with our clients, where we usually receive the first installment of our fees when we are awarded the contract, and the last installment upon the expiration of the defect liability period. During the Track Record Period, our fees were generally paid according to the following schedule:

Phase	% of total project sum
Upon awarded the contract .....	30%
Upon completion of 50% of the construction work on-site (subject to project manager’s approval, if required) .....	30%
Upon practical completion .....	35%
Upon the expiration of the defect liability period .....	5%
<b>Total</b> .....	<b>100%</b>

Our fees during the Track Record Period were made and settled by way of bank transfer or checks and is denominated in Hong Kong dollars. Our finance team is responsible for preparing our invoice at each stage of the project when payment is due, as well as monitoring the settlement status of our accounts receivables. In the event that there is an overdue balance, our finance team will liaise with our clients to seek prompt settlement of the overdue balances. During the Track Record Period, we usually receive payments from our clients around 30 days after the presentation of our invoices.

For our subcontractors, we generally settle around 50% of the total of the payment before their rendering of service. The rest of the payment is usually settled in stages after we receive progress payment from our clients. But we usually retain 5% of their total fees payable as retention money, which will be released at the end of our defect liability period under our clients’ contracts. We generally receive the first installment of the payment from our clients around 49 days after we are awarded the contract, while we have to fully settle the payment with our suppliers and settle around 50% of our payment due to the subcontractors upfront. Also taking into account other start-up expenses such as the need to procure surety bonds, there is usually a higher demand for cash liquidity at the beginning stage of our projects. Our subcontractors generally grant us an average credit period of around 30 days.

Regarding our trade and retention receivables during the Track Record Period, please see the section headed “Financial Information — Discussion of Selected Statements of Financial Position Items — Trade and retention receivables” for details.

### QUALITY CONTROL

We believe that the quality of our services has been a key to our success, and is also crucial to our future prospects. We impose stringent quality control measures on the materials supplied by our suppliers and services provided by our subcontractors. We also implement a comprehensive quality management system to ensure that our projects can achieve high quality standards. Our quality management system mainly covers the following aspects:

- *project management*: we have developed our own standardized project management and execution protocol, which maps out the actions to be taken at each step during the course of the project. It also covers areas in relation to work quality and supervision, environmental and occupational health and safety precautions that our project management team can implement

## BUSINESS

to each of our projects. Our site manager assists the project managers to review progress by conducting on-site inspections to ensure adherence to the project’s schedule and compliance with the project’s quality plan;

- *subcontracting*: We perform regular assessment on our subcontractors, including their workmanship, progress control, environmental and safety control and resources. We conduct regular on-site inspections and arrange regular meeting with our subcontractors to address issues that arise in the course of the project in order to seek prompt remedial actions; and
- *communicating with our clients*: in addition to communicating regularly with our clients or their consultants to keep them informed of the status of the project, we follow up closely to their feedback of our work progress and arrange on-site inspections when needed. Upon the completion of each project, we also provide our client a detailed operation and maintenance manual, which sets out the specifications of the materials used as well as maintenance guidelines for the appliances that were installed and as-built drawings of the premises.

On top of our internal quality control procedures, we have received international certifications for our quality assurance programs and management systems. The following table sets forth a summary of the major test standards that we have satisfied and certifications that we have received:

Certification	Description	Since	Latest validity period
ISO 9001:2015	Certification for our quality management in relation to the provision of renovation and fitting out works	May 2014	May 24, 2017 to May 23, 2020
ISO 14001:2004	Certification for our environmental management in relation to the provision of renovation and fitting out works	May 2016	May 31, 2016 to September 15, 2018
OHSAS 18001:2007	Certification for our occupational health and safety management in relation to the provision of renovation and fitting out works	May 2016	May 31, 2016 to May 30, 2019

## MARKET AND COMPETITION

According to the Industry Report, the fit-out industry is highly fragmented and intensely competitive. We believe our strong reputation and proven track record, market knowledge, project management and execution expertise are key to our success and competitiveness. For further details on the landscape of the fit-out industry, please see the section headed “Industry Overview”.

## BUSINESS

### EMPLOYEES

Human resources and talents are vital to our business. We provide attractive remuneration package, medical insurance benefits, training opportunities and clear career path with promotion opportunities to our employees. As at the Latest Practicable Date, we had a total of 28 employees (excluding our Directors), all of whom are based in Hong Kong. The table below sets out a breakdown of our employees by function as at the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>
Project management .....	7
Construction management .....	13
Project finance and estimation .....	2
Site safety .....	3
Office administration and finance .....	3
<b>Total</b> .....	<b>28</b>

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material dispute with our employees or disruption to our operations due to labor dispute and we have not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. During the Track Record Period and up to the Latest Practicable Date, there was no labor union established by our employees.

### WORK SAFETY AND ENVIRONMENTAL MATTERS

We believe that it is essential for us to be as environmentally responsible as possible in the execution of our projects. The fit-out services provided by our subcontractors are subject to certain laws and regulations related to environmental protection. For details, please refer to the section headed “Regulatory Overview”. We have been certified with ISO14001 in relation to our environmental management for the provision of renovation and fit-out work. We did not incur any material cost in relation to the compliance with environmental law during the Track Record Period. To the best of their knowledge and belief, our executive Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not been the subject of any material environmental non-compliance in Hong Kong.

In addition, we have obtained OHSAS 18001 in relation to our occupational health and safety management for the provision of renovation and fit-out work. For each of our projects, we have a safety supervisor on-site to monitor the safety condition. We also require the employees of our subcontractors responsible for the particular project to attend toolbox training, which cover topics such as personal protective equipment handling, safety lifting techniques, fire precautions and high level work safety measures. To the best of our ability, we require our subcontractors to abide by all safety laws, rules, regulations, measures and procedures as well as all safety requirements under all current enactments relating to their work. During the Track Record Period and up to the Latest Practicable Date, no material work-related accidents and injuries from employees of our Group and our subcontractors participated in our projects were recorded.

During the Track Record Period, the workers employed by our subcontractors experienced three accidents at our work sites, involving arm laceration, hand laceration and eye abrasion. Currently, the compensation for these accidents have been handled by the relevant subcontractors. Up to the Latest Practicable Date, there have not been any claims in relation to these accidents that are laid against our

## BUSINESS

Group. The compensation to the relevant workers if any, is adequately covered under the contractors’ all risk insurance procured by us. After the Track Record Period and up to the Latest Practicable Date, the workers employed by our subcontractors had not experienced any material accident. Our Directors confirm that all these accidents are not serious in nature. As part of our internal control and safety procedures, we have conducted accident review meeting and provide relevant training to the workers shortly after the occurrence of each accident, and implemented further safety control measures, such as requiring workers to wear personal protective equipment and arranging our site representatives to inspect the workplace on a more frequent basis. In addition, we have engaged a registered safety officer to enhance the occupational health and safety of the workplace.

### INSURANCE

All of our bare shell fit-out, reinstatement and restacking projects and subcontractors are protected by contractors’ all-risks and employee compensation insurance policies taken out by us. Such insurance policy generally extends throughout the entire contract period, including a 12-month maintenance period following completion of the relevant project, which covers areas such as loss or damage to third party property and bodily injury. For the two years ended March 31, 2016 and 2017, our insurance cost amounted to approximately HK\$1.7 million and HK\$2.2 million, respectively.

During the Track Record Period, we have not made any material claim on the insurance taken out by us. We believe that our insurance coverage is adequate for the operation of our business and in line with the industry norm, however, our insurance coverage may not sufficiently indemnify all the risks exposed us. For the associated risk, please see the section headed “Risk Factors — Our insurance policies may not be sufficient to cover liabilities arising from claims, work accident and litigation. The insurance premium payable by our Group may be increased”.

### PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased one property in Hong Kong for office usage and two warehouses for general storage purposes. Set out below are all of our leased properties in Hong Kong as at the Latest Practicable Date:

Address	Usage	Approximate GFA (sq. ft.)	Lease period
Suites 1601 – 1603 and 1605, 16/F, Loon Kee Building, 267 – 275 Des Voeux Road Central, Hong Kong	Office	2,195	November 1, 2016 to October 31, 2018
Flat A, 1/F, Kin Tak Fung Industrial Building, 174 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	Storage	780	February 10, 2017 to February 9, 2018
Flat T9 and T17, 12/F, Block B, Hong Kong Manufacturing Building, 128 Wai Yip street, Kwun Tong, Kowloon, Honk Kong	Storage	200	November 1, 2016 to October 31, 2017

For the two years ended March 31, 2016 and 2017, our aggregate rental expenses were approximately HK\$0.7 million and HK\$0.7 million, respectively.

Our Directors confirm that none of our leased properties were leased from connected persons of our Company which would otherwise constitute connected transactions after the [REDACTED]. Our Directors further confirm that all of our leased properties had been with good title and there was no claims or disputes due to the title of any of our leased properties as at the Latest Practicable Date.

## **BUSINESS**

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### **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, our Group owned two registered trademark and we have applied for the registration of a trademark in Hong Kong. For details, please see the section headed “— Further Information about Our Business — Intellectual property rights of our Group” of Appendix IV to the document. We currently do not hold any other intellectual property rights.

### **KEY LICENSES**

Since the nature of our role as an interior fit-out solutions provider mainly entails project management and coordination with other working parties, during the Track Record Period, we are not required to hold any special license or registration for our daily operation. Before we engage our subcontractors for their services, we ensure that they hold all the necessary registration or licenses for their trade of work. For details of our subcontractors, please see the section headed “— Our Subcontractors”.

### **RESEARCH AND DEVELOPMENT**

As confirmed by our Directors, we did not engage in any research and development activity during the Track Record Period and up to the Latest Practicable Date.

### **SEASONALITY**

We consider that neither our business nor our revenue was subject to any material seasonality during the Track Record Period.

### **REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS**

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any actual or pending legal, arbitration, administrative proceedings (including any bankruptcy or receivership proceedings) or non-compliance matters that we believe would have a material adverse impact on our business, results of operations, financial condition or reputation. We have put in place internal control system and procedures to ensure our continuous regulatory compliance. However, we may from time to time become a party to various legal, arbitration, administrative proceedings arising in the ordinary course of our business.

## BUSINESS

The table below set out our non-compliances during the Track Record Period and up to the Latest Practicable Date, which do not have material adverse effect on our Group’s results of operations, financial condition and reputation:

Name of our subsidiary involved	Details of the non-compliances	Reasons for the non-compliances	Legal consequences and potential maximum penalty for the relevant member of the Group	Rectification	Internal control measures adopted to prevent recurrences
Sanbase Interior	Sanbase Interior failed to notify the Commissioner for Labour of two accidents occurred on 15 September 2016 (the “ <b>First Accident</b> ”) and 29 September 2016 (the “ <b>Second Accident</b> ”), respectively in the prescribed form within 14 days after the accidents.	The responsible officer of Sanbase Interior inadvertently missed the deadline for the First Accident, and was inadvertently mistaken that Sanbase Interior was not required to notify for the Second Accident given that the responsible officer was told by the injured worker that the injury (i.e. hand laceration) was too minor to warrant for official reporting to the Commissioner for Labour.	According to section 15(6) of the Employees Compensation Ordinance, Sanbase Interior is liable to a maximum penalty of HK\$50,000 for each instance, and collectively HK\$100,000 for both instances.	The First Accident was duly notified to the Commissioner for Labour 26 days afterwards. Upon receipt of a letter from the Labor Department on 13 January 2017 requesting for notification within 14 days of the Letter, the Second Accident was duly notified to the Commissioner for Labour within 12 days of the letter, but almost 4 months after the Second Accident occurred.	Our executive Director Ms. Hui Man Yee, Maggie is designated as the compliance person-in-charge, who is responsible for all of our safety compliance matters. She will engage external legal advisers whenever needed.

To the best of their knowledge and belief, our executive Directors confirm that we have compiled with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

## BUSINESS

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### RISK MANAGEMENT AND INTERNAL CONTROL

Our risk management and internal control system and procedures are designed to meet our specific business needs and to minimize our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve our Group’s corporate governance and ensure compliance with the applicable laws and regulations. Our Board and senior management are responsible for identifying and analyzing the risks associated with our operations, preparing risk mitigation plans, assessing and reporting their effectiveness. In order to ensure sound implementation of our risk management and internal control policies, we have also adopted various on-going measures as set out below:

- we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters;
- our Directors have received trainings conducted by our Hong Kong legal advisors on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;
- we have appointed TC Capital Group as our compliance advisor with effect from the date of the [REDACTED], details of which are set out in the section headed “Directors and Senior Management — Compliance Advisor”
- we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections; and
- we will provide internal training to staff as appropriate in order to enable them to follow the internal control and corporate governance procedures.

In preparation for the [REDACTED], we have engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting from April 1, 2016 to March 31, 2017 (the “**Internal Control Review**”). The scope of Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases and payables, treasury, financial reporting, tax, payroll, insurance and general controls of information technology. The Internal Control Review were conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. As at the Latest Practicable Date, we have implemented the relevant internal control measures based on the recommendation of the Internal Control Consultant.

We will continuously monitor and improve our management procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

### CORPORATE GOVERNANCE MEASURES

Our Directors confirm that no material deficiency in our corporate governance and we believe that our internal control and risk management system were sufficient and effective during the Track Record Period.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board’s work at our Shareholders’ meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors [●]. We have also entered into a letter of appointment with each of our independent non-executive Directors on [●].

The table below shows certain information in respect of the members of our Board.

#### Members of our Board

Name	Age	Position	Roles and responsibilities	Date of appointment as a Director	Date of joining our Group	Relationship with other Directors and senior management
Mr. WONG Sai Chuen	42	Chairman, chief executive officer and executive Director	Responsible for strategic planning, business development, daily operations and major decision-making of our Group	March 24, 2017	May 2009	Spouse of Ms. Hui Man Yee, Maggie
Mr. WONG Kin Kei	40	Chief operating officer and executive Director	Responsible for business development, daily operation and technical and project management	March 24, 2017	April 2010	—
Ms. HUI Man Yee, Maggie	40	Executive Director	Responsible for daily operations, business development, human resources and administrative management of our Group	July 6, 2017	April 2015	Spouse of Mr. Wong
Mr. CHEUNG Ting Pong	37	Executive Director	Responsible for corporate and financial management and public relation of our Group	July 6, 2017	April 2017	—

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of appointment as a Director	Date of joining our Group	Relationship with other Directors and senior management
Mr. FAN Chun Wah, Andrew	38	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	[●]	[●]	—
Mr. WU Kam On, Keith	42	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	[●]	[●]	—
Mr. PANG Chung Fai, Benny	44	Independent non-executive Director	Responsible for supervising and providing independent judgment to our Board	[●]	[●]	—

### Executive Directors

**Mr. WONG Sai Chuen**, aged 42, is the chairman, chief executive officer and an executive Director of our Group. Mr. Wong is responsible for strategic planning, business development, daily operations and major decision making of our Group. Mr. Wong has over eight years of experience in the interior fit-out industry.

Before establishing our Company, Mr. Wong worked as project director of Arcon System Limited (“Arcon”), an audio-visual solutions company from January 2002 to February 2009. Mr. Wong was primarily responsible for development and implementation of audio-visual solutions projects. From June 2007 to June 2010, Mr. Wong was a director of Arcon Contracting Limited, a company incorporated in Hong Kong and dissolved in June 2010 due to cessation of business. Prior to the dissolution, the principal business activities of Arcon Contracting Limited was installation of audio and visual system.

Mr. Wong attended Yu Chun Keung Memorial College No. 2 from 1987 to 1992.

Mr. Wong is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

**Mr. WONG Kin Kei**, aged 40, is the chief operating officer and an executive Director of our Group. Mr. Wong Kin Kei is responsible for business development, daily operation and technical and project management. Mr. Wong Kin Kei has over 15 years of experience in fit-out industry and join the Group in April 2010.

Prior to joining our Group in 2010, Mr. Wong Kin Kei worked as a project manager in IBI Limited, an interior fit-out contractor, from April 2004 to May 2008 where he was responsible for project

## DIRECTORS AND SENIOR MANAGEMENT

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implementation and management of fit-out projects. From June 2000 to December 2003, Mr. Wong Kin Kei worked as assistant engineer in Jardine M&E Contracting Limited who was responsible for engineering work.

Mr. Wong Kin Kei obtained his higher diploma in building services engineering from the City University of Hong Kong in November 1999. He then obtained a bachelor’s degree in engineering from the University of Central Lancashire by distance learning in January 2007. He has also obtained the postgraduate diploma in building services engineering from Heriot-Watt University by distance learning in June 2013.

Mr. Wong Kin Kei is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

**Ms. HUI Man Yee, Maggie**, aged 40, is an executive Director of our Group. Ms. Hui is responsible for daily operations, business development, human resources and administrative management of our Group. Ms. Hui joined our Company as an associate director in 2015.

Prior to joining our Group, Ms. Hui served at an international hotel chain known as Holiday Inn Golden Mile Hong Kong (“**Holiday Inn**”) from October 2004 to March 2015, where her last position held at Holiday Inn was a director of rooms in the Room Division between October 2011 and March 2015. In that position, her primary responsibilities included overseeing and managing the operation of front office and housekeeping of the hotel.

Ms. Hui graduated from Sheffield Hallam University in the United Kingdom with a bachelor’s degree of science in hotel and tourism management in June 1998. Ms. Hui then obtained a master’s degree in business administration from University of Birmingham in the United Kingdom in December 2011.

Ms. Hui is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

**Mr. CHEUNG Ting Pong**, aged 37, is an executive Director of our Group. Mr. Cheung is responsible for corporate and financial management and public relation of our Group. Mr. Cheung has over 15 years of experience in financial operations and he joined our Company in April 2017.

Prior to joining our Group, Mr. Cheung served as the company secretary of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Co. Ltd.), the shares of which are listed on the main board of the Stock Exchange (stock code: 1194) from November 2016 to January 2017, responsible for regulatory compliance of the company. Mr. Cheung served as an executive director, chief financial officer and company secretary of Modern Dental Group Limited (“**Modern Dental**”), the shares of which are listed on the main board of the Stock Exchange (stock code: 3600), from March 2011 to October 2016. Mr. Cheung was primarily responsible for supervising and handling of day to day management of Modern Dental. He also served various positions in Deloitte Touche Tohmatsu LLC (“**Deloitte**”) from September 2002 to September 2009 where his last position was senior auditor of audit department. During his service in Deloitte, Mr. Cheung was primarily responsible for advising clients on accounting and auditing issues, Mr. Cheung has around 7 years of experience as a chartered accountant.

Mr. Cheung obtained a bachelor’s degree in business administration (accountancy) from the City University of Hong Kong in November 2002 and a master’s degree in business administration from the University of Manchester in the United Kingdom in November 2014. Mr. Cheung has been a registered member of the Institute of Chartered Accountants in England and Wales since February 2010, a fellow member of Hong Kong Institute of Certified Public Accountants since May 2017 and an associate of the Hong Kong Institute of Directors since March 2016.

## DIRECTORS AND SENIOR MANAGEMENT

Saved as disclosed above, Mr. Cheung is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

### Independent non-executive Directors

**Mr. FAN Chun Wah, Andrew J.P.**, aged 38, was appointed as an independent non-executive Director on [●] 2017. Mr. Fan is currently a practising certified public accountant in Hong Kong.

Mr. Fan obtained a bachelor’s degree in business administration in accounting and finance from The University of Hong Kong in December 1999 and a bachelor’s degree in laws from the University of London, United Kingdom in August 2007. Mr. Fan is currently a member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Fan is also a committee member of the tenth and eleventh Chinese People’s Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People’s Political Consultative Conference of Shenzhen, the chairman of the 23rd council of Hong Kong United Youth Association and the vice chairman of Zhejiang Province United Young Association.

Mr. Fan is currently an independent non-executive director of each of Nameson Holdings Limited (stock code: 1982), Culturecom Holdings Limited (stock code: 343), Fulum Group Holdings Limited (stock code: 1443), Sinomax Group Limited (stock code: 1418) and Chuang’s China Investments Limited (stock code: 298), the shares of which are listed on the main board of The Stock Exchange. Mr. Fan was an independent non-executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882) from July 2015 to May 2017, of LT Commercial Real Estate Limited (stock code: 112) from March 2013 to December 2016, of Far East Holdings International Limited (stock code: 36) from October 2009 to February 2012 and of Milan Station Holdings Limited (stock code: 1150) from March 2013 to July 2015, respectively, the shares of all such companies are listed on the main board of the Stock Exchange. He had also been an independent non-executive director of each of CIG Yangtze Ports PLC (stock code: 8233) from February 2009 to March 2014 and On Real International Holdings Limited (stock code: 8245) from September 2015 to August 2016, the shares of which are listed on the GEM.

Saved as disclosed above, Mr. Fan is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

**Mr. WU Kam On Keith**, aged 42, was appointed as an independent non-executive Director on [●] 2017. Mr. Wu has extensive experience in the food and beverage industry in Hong Kong as well as over 19 years of financial and accounting experience.

Mr. Wu is currently an executive director and the group chief financial officer of Tsit Wing International Holdings Ltd. (“**Tsit Wing**”), the shares of which were listed on the Stock Exchange of Singapore (stock code: T26) until October 2013, which supplies coffee, tea and related grocery items to food establishments in Hong Kong, the PRC and other areas in Asia. Mr. Wu is responsible for assisting the chairman and chief executive officer to formulate corporate strategy for growth and development. Prior to joining Tsit Wing in July 2005, Mr. Wu was an accountant of Hongkong International Terminals Limited which operates a number of ports at the Kwai Chung Terminals, Hong Kong, from April 2001 to June 2004 and practiced as a certified public accountant at Deloitte Touche Tohmatsu from June 1997 to July 2000. Mr. Wu has also been an independent non-executive Director of Fulum Group Holdings Limited, the shares of which are listed on the Main Board of The Stock Exchange (stock code 1443) since November 13, 2014, and Hao Bai International (Cayman) Limited, the shares of which are listed on the GEM of Hong Kong Stock Exchange (stock code: 8431) since May 2017.

## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Wu obtained a bachelor’s degree in accountancy from The City University of Hong Kong in November 1997 and a master degree in corporate governance from the Hong Kong Polytechnic University in October 2009. Mr. Wu was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in September 2008 and an associate of The Hong Kong Institute of Chartered Secretaries in April 2010. He has also been a fellow of the Taxation Institute of Hong Kong since July 2010 and an elected associate of The Institute of Chartered Secretaries and Administrations in the United Kingdom since April 2010.

Mr. Wu is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

**Mr. PANG Chung Fai, Benny**, aged 44, was appointed as an independent non-executive Director on [●] 2017. Mr. Pang is currently the managing partner of Benny Pang & Co., which specializes in capital markets and general corporate and commercial work. Mr. Pang is also an executive director and vice chairman of Huabang Financial Holdings Limited (previously known as Goldenmars Technology Holdings Limited) (“**Huabang**”), the shares of which are listed on the Stock Exchange (stock code: 3638), since January 26, 2017. He was an independent non-executive director of Huabang since June 2012.

Mr. Pang obtained his bachelor degree in laws (honors) from Bond University, Australia, in 1996. Mr. Pang obtained his graduate diploma in legal practice from The College of Law, Sydney in Australia in November 1997 and his master degree in laws from the University of New South Wales, Australia in October 1997. He has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997 and as a solicitor of the High Court of Hong Kong since 2009. Between 1997 and 2017, Mr. Pang practiced as a lawyer with several international law firms in Hong Kong and Sydney.

Mr. Pang is a member of each of the Law Society of New South Wales, Australia and the Law Society of Hong Kong. Mr. Pang was appointed as an independent non-executive director of Yuanda China Holdings Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 2789), in 2011. Mr. Pang has also been an independent non-executive director of China Bio-Med Regeneration Technology Limited, the shares of which are listed on GEM (stock code: 8158), since 2012.

Saved as disclosed above, Mr. Pang is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

### Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed in this document, to the best knowledge, information, and belief of our Directors having made all reasonable enquiries, each of our Directors has confirmed that with respect to him or her that he or she (i) did not hold other positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and / or overseas; (iv) there are no other matters concerning our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

## **DIRECTORS AND SENIOR MANAGEMENT**

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### **SENIOR MANAGEMENT AND COMPANY SECRETARY**

Pursuant to Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules, the secretary of our Group must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. The Stock Exchange considers (a) an ordinary member of The Hong Kong Institute of Company Secretaries, (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) as acceptable academic or professional qualifications.

We have appointed Ms. LI Tsz Man who satisfies the qualification requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules, as our company secretary.

Ms. Li, aged 34, joined our Group as senior finance manager in April 2017 and was appointed as our company secretary on July 6, 2017. She is a certified public accountant in Hong Kong with over 10 years' of extensive experience in financial operations. Prior to joining the Company, Ms. Li served as a group finance manager of Modern Dental Group Limited, a company listed on the main board of the Stock Exchange (Stock Code: 3600), from July 2012 to April 2017, where she was responsible for financial reporting and treasury function of the company. She also served as an auditor in the provision of audit and assurance services in RSM Hong Kong (formerly known as RSM Nelson Wheeler), being an accountancy services firm, from August 2006 to February 2012.

Ms. Li has been a member of The Institute of Chartered Accountants in England and Wales since May 2015 and a fellow member of Hong Kong Institute of Certified Public Accountants since May 2017. She obtained her degree of bachelor of business administration with honors in accountancy from the City University of Hong Kong in November 2006.

Ms. Li is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

### **COMPLIANCE OFFICER**

Mr. Wong, an executive Director of our Company, is also the compliance officer of our Company.

### **COMPLIANCE ADVISOR**

Our Company intends to appoint TC Capital Group as our compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules.

Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance advisor will advise our Company on, among other matters, the following:

- (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 [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

## DIRECTORS AND SENIOR MANAGEMENT

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The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the [REDACTED] and such appointment may be extended by mutual agreement.

### BOARD COMMITTEES

#### Audit Committee

We have established an Audit Committee on [●] with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing rules. The Audit Committee consists of three members, namely Mr. Wu Kam On, Keith, Mr. Fan Chun Wah, Andrew and Mr. Pang Chung Fai, Benny. The chairman of the Audit Committee is Mr. Wu Kam On, Keith.

The primary duties of the Audit Committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

#### Remuneration Committee

We have established a Remuneration Committee on [●] with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.1 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The Remuneration Committee consists of three members, namely Mr. Pang Chung Fai, Benny, Mr. Fan Chun Wah, Andrew and Mr. Wu Kam On, Keith. The chairman of the Remuneration Committee is Mr. Pang Chung Fai, Benny.

The primary duties of the Remuneration Committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; and (b) reviewing and approving our management’s remuneration proposals with reference to our Board’s corporate goals and objectives.

#### Nomination Committee

We have established a Nomination Committee on [●] with written terms of reference. The Nomination Committee consists of three members, namely Mr. Fan Chun Wah, Andrew, Mr. Wu Kam On, Keith and Mr. Pang Chung Fai, Benny. The chairman of the Nomination Committee is Mr. Fan Chun Wah, Andrew.

The primary function of the Nomination Committee include, but not limited to making recommendations to our Board on appointment of members of our Board.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive in their capacity as our employees, compensation in the form of salary and discretionary bonus.

## **DIRECTORS AND SENIOR MANAGEMENT**

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The aggregate amount of remuneration including fees, salaries, contributions to pension scheme, allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the two financial years ended March 31, 2017 was approximately HK\$2.7 million and HK\$5.9 million respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the two financial years ended March 31, 2017 was HK\$6.3 million and HK\$7.8 million respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the two financial years ended March 31, 2017. Further, none of our Directors waived any remuneration during the same periods.

Under the service agreements entered into between our Company with each of our executive Director and the letters of appointment entered into between our Company and each of our independent non-executive Director, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances, benefits in kind and discretionary bonus) of our Directors for each financial year is estimated to be approximately HK\$7.8 million.

## **CORPORATE GOVERNANCE**

Our Company complies or intends to comply with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules with the exception for Code A.2.1, which requires the roles of chairman and chief executive be different individuals.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wong, holds both positions. Mr. Wong has been primarily responsible for overseeing our Group’s general management and business development of our Group and for formulating business strategies and policies for our business management and operations since he founded our Group in 2009. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider it is most suitable for Mr. Wong to hold both the positions of chief executive officer and the chairman of the Board and the existing arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the revised Corporate Governance Code and the associated GEM Listing Rules which were effective in 2012.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Share which may be issued upon exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in our Shares or 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 be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of Interest	Immediately upon the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares (Note 1)	Approximate Percentage of Shareholding
Madison Square (Note 2)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong (Note 2)	Interest in controlled corporation	[REDACTED]	[REDACTED]
Ms. Hui Man Yee, Maggie (Note 3)	Interest of spouse	[REDACTED]	[REDACTED]
J&J Partner (Note 4)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong Kin Kei (Note 4)	Interest in controlled corporation	[REDACTED]	[REDACTED]
Ms. Ho Sin Ying (Note 5)	Interest of spouse	[REDACTED]	[REDACTED]

*Notes:*

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Shares in which Mr. Wong is interested in consists of [REDACTED] Shares held by Madison Square, a company wholly owned by him, in which Mr. Wong is deemed to be interested under the SFO.
- (3) Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong, is deemed to be interested in the [REDACTED] Shares held by Mr. Wong, through his controlled corporation, Madison Square, pursuant to the SFO.
- (4) Shares in which Mr. Wong Kin Kei is interested in consists of [REDACTED] Shares held by J&J Partner, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under the SFO.
- (5) Ms. Ho Sin Ying, the spouse of Mr. Wong Kin Kei, is deemed to be interested in the [REDACTED] Shares held by Mr. Wong Kin Kei, through his controlled corporation, J&J Partner, pursuant to the SFO.

Save as disclosed in the paragraph headed “Substantial Shareholders” in this section, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Share which may be issued upon exercise of the [REDACTED] or any options which 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 the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], Madison Square, a company wholly owned by Mr. Wong, will be interested in approximately [REDACTED] of the issued share capital of our Company. As Mr. Wong and Madison Square will continue to control more than 30% of the issued share capital of our Company after [REDACTED], Mr. Wong, Ms. Hui Man Yee, Maggie and Madison Square will be our Controlling Shareholders.

On March 30, 2017, Mr. Wong and Mr. Wong Kin Kei transferred their respective interest in Sanbase Ltd., a Macau entity, to an independent third party for a consideration of MOP18,800 and MOP6,200, respectively. The consideration was determined with reference to the registered share capital of Sanbase Ltd. Sanbase Ltd. operated independently in Macau with customers and suppliers located in Macau. Mr. Wong and Mr. Wong Kin Kei transferred their respective interest in Sanbase Ltd. to an independent third party during the Track Record Period due to their strategy to focus on the Hong Kong Grade A offices market which they considered to have better growth prospects.

As at the Latest Practicable Date, our Controlling Shareholders did not have any interest in any other company or business which competes with that of our Group except their interest in our Group.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

On the following grounds, our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the [REDACTED]:

#### Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors. Although Mr. Wong is one of our Controlling Shareholders and also holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders and their respective close associates because:

- (a) each Director is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (b) in the event that 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 in respect of such transactions, and shall not be counted in forming quorum.

#### Operational independence

Our Group has established our own organizational structure comprising individual departments, each with specific areas of responsibilities. Historically, our Group's certain business activities were carried out under Karich Asia Pacific Co., Limited (“**Karich**”), a company incorporated in Hong Kong and wholly owned by Mr. Wong. With effect from April 1, 2016, our Group has assumed all these business activities operated independently while Karich ceased to carry out these business activities. Moreover, our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The financial results of those business activities relating to our Group’s business carried out under Karich for the year ended March 31, 2016 has been specifically identified and reflected in the Accountant’s Report as set out in Appendix I to this document.

### Financial independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and have not shared any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently of our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

As of the Latest Practicable Date there was no outstanding amount due to our Controlling Shareholders or their close associates from us and there was no guarantees provided for our benefit by our Controlling Shareholders or any of their close associates.

### RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### DEED OF NON-COMPETITION

On [●], 2017, our Controlling Shareholders entered into the Deed of Non-competition in favor of our Company, pursuant to which our Controlling Shareholders irrevocably undertake to our Company that they will not and will procure their respective close associates (except any member of our Group) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside Hong Kong), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of our Group, being interior fit-out solution provider (“**Restricted Business**”) or own any rights or interests in such businesses.

Our Controlling Shareholders have further irrevocably undertaken that during the Restricted Period (as defined below), they should and will procure their respective close associates (except any member of our Group) (our Controlling Shareholders and their respective close associates together, “**Offerors**”) to offer new business opportunities to us first in the following manner when any business, investment or other business opportunities (“**New Business Opportunities**”) related to the Restricted Business become available to the Offeror:

- (i) the Offeror will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing (“**Offer Notice**”) about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group;
- (ii) upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities taking into account whether the relevant

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Offeror in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued; and

- (iii) only when (a) the Offeror has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our core business; or (b) the Offeror has not received the relevant notice from our Company within the period as stated above in paragraph (ii) after the Offer Notice has been received by us, then the Offeror is entitled to take up the New Business Opportunities on terms and conditions not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Offeror, referral of the revised New Business Opportunities shall be made by the Offeror to us again in the manner as stated above.

The undertakings under the Deed of Non-competition are not applicable in the following circumstances:

- (i) our Controlling Shareholders and/or their close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in any member of our Group; or
- (ii) our Controlling Shareholders and/or their respective close associates engage in the Restricted Business directly or indirectly through the ownership of equity interest in listed companies other than our Group, with the following conditions being satisfied:
  - (a) the Restricted Business (and relevant assets) conducted or carried out by such company represents less than 10% of the revenue or total assets of such company according to the latest audited accounts of such company; and
  - (b) our Controlling Shareholders and/or their respective close associates (except any member of our Group) hold in aggregate not more than 10% of the issued share capital of relevant class of shares of such company, and our Controlling Shareholders and/or their respective close associates (except any member of our Group) have no right to appoint the majority of directors of such company or participate in the management of such company.

Pursuant to the Deed of Non-competition, the Restricted Period refers to the period commencing from the [REDACTED] and ending on the following dates (whichever is earlier):

- (i) the date when the shares of our Company cease to be listed on the Stock Exchange; and
- (ii) the date when our Controlling Shareholders cease to be controlling shareholders of our Company.

## CORPORATE GOVERNANCE MEASURES

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including:

- (i) if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (ii) if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser advice), the costs incurred for obtaining such advice will be borne by our Company;
- (iii) the independent non-executive Directors will review the compliance with the undertakings under the Deed of Non-competition by our Controlling Shareholders on an annual basis;
- (iv) our Controlling Shareholders will provide or procure the provision of all necessary information required for the Board’s annual review of compliance with the Deed of Non-competition;
- (v) our Company will disclose in its annual report the decisions (if any) of the independent non-executive Directors on matters relating to the New Business Opportunities and the relevant basis; and
- (vi) our Controlling Shareholders will make an annual declaration on its compliance with the Deed of Non-competition in our annual report.

## SHARE CAPITAL

### Authorized and issued share capital

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [REDACTED]:

#### *Authorized share capital*

<u>Number of shares</u>	<u>Total par value</u>
	<u>US\$</u>
<u>5,000,000,000</u> Shares of US\$0.001 each .....	<u>5,000,000</u>

*Shares in issue or to be issued, fully paid or credited as fully paid upon the completion of the [REDACTED]:*

<u>Number of Shares</u>	<u>Total par value</u>	<u>Approximate percentage of the issued share capital</u>
	<u>US\$</u>	<u>%</u>
50,000,000 Shares in issue .....	50,000	25
[REDACTED] Shares to be issued pursuant to the [REDACTED] .....	[REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED] .....	[REDACTED]	[REDACTED]
<u>[REDACTED] Total .....</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

### Assumptions

This table assumes the [REDACTED] has become unconditional and the issue of [REDACTED] pursuant thereto is made as described herein. It does not take into account of any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate and Repurchase Mandate granted to our Board as referred to below or otherwise.

### Ranking

The [REDACTED] and the Shares that may be issued pursuant to exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme shall rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid thereafter.

### GENERAL MANDATE TO ISSUE SHARES

Our Board has been granted with the Issuing Mandate to allot, issue and deal in an aggregate number of Shares that is no more than the sum of:

- 20% of the total number of Shares issued by our Company immediately upon completion of the [REDACTED] and the [REDACTED] (but prior to the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme); and
- the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

## SHARE CAPITAL

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The aggregate number of Shares which our Directors are authorized to allot and issue under the Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (i) a rights issue; or (ii) any specific authority granted by our Shareholders in general meeting(s).

The Issuing Mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

For further details of the Issuing Mandate, see “Statutory and General Information — A. Further Information about Our Group” in Appendix IV to this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Our Board has been granted with the Repurchase Mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares that is no more than 10% of the total number of Shares issued by our Company immediately upon completion of the [REDACTED] and the [REDACTED] (but prior to the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the [REDACTED] are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), subject to and in accordance with our Articles, all applicable laws and regulations, and the requirements of the GEM Listing Rules and any other stock exchange on which our securities may be listed, as amended from time to time. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in “Statutory and General Information — A. Further Information about Our Group — 6. Repurchase of our Shares by our Company” in Appendix IV to this document.

The Repurchase Mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting unless by ordinary resolution at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which our Company is required by the applicable law or our Articles to hold our next annual general meeting; or
- (c) when varied, revoked or renewed by a resolution of our Shareholders in a general meeting.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the Articles. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III to this document.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountant’s Report set out in Appendix I to this document. Our Group’s consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). You should read the entire Accountant’s Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyzes made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section “Risk Factors” of this document.*

*The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.*

### OVERVIEW

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong. According to the Industry Report, we are the largest fit-out solutions provider for Grade A offices in Hong Kong in terms of market share in 2016 (market share is calculated based on revenue for the calendar year (i.e. January to December)). Our role in these fit-out projects entails the overall responsibility of project implementation, management, coordination, quality and working closely with our clients and other professional parties involved in the project, as well as the subcontractors engaged by us for the efficient renovation of the premises of our clients. In particular, we arrange for the necessary labor and engineering expertise to meet various requirements. In addition, we provide technical know-how and modification advice to our clients and their interior designers to ensure that the renovation work conforms to the design plans and statutory requirements, as well as meeting our clients’ expectations and completing the projects on time and within the set budget.

Our revenue for the years ended March 31, 2016 and 2017 increased by 21.5% from HK\$231.1 million to HK\$280.7 million. For the same period, our profit for year increased by 29.6% from HK\$18.6 million to HK\$24.1 million.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 24, 2017 and became the ultimate holding company of our Group on May 22, 2017 subsequent to our Reorganization in preparation for the [REDACTED]. See the section headed “History and Reorganization — Reorganization” in this document for further information about the Reorganization. The Companies now comprising the Group, engaging in the provision of interior fit-out solutions, were under common control of our Controlling Shareholder, Mr. Wong, immediate before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the historical financial information has been prepared on a combined basis.

## FINANCIAL INFORMATION

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The historical financial information has been prepared by including the historical financial information of the companies engaged in the business of the Company, under the common control of the Controlling Shareholder immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Controlling Shareholder, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from the Shareholders’ perspective. No amount is recognized in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

Historically, our Group’s certain business activities were carried out under Karich Asia Pacific Co., Limited (“**Karich**”), a company incorporated in Hong Kong and wholly owned by Mr. Wong. The cost of sales and administrative expenses relating to the business activities of the interior fit-out through Karich, which has not been included in the Reorganization and has been excluded from the Group, have been specifically identified and reflected in the historical financial information.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

### FACTORS AFFECTING OUR FINANCIAL RESULTS

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in “Risk Factors” in this document and those set out below.

#### **Demand for fit-out services for Grade A Office in Hong Kong**

A significant amount of our revenue was derived from fit-out services for Grade A office in Hong Kong during the Track Record Period. Thus, our financial results depend to a certain extent on the level of demand and supply of Grade A office in Hong Kong. In the event that demand of Grade A office reduced as a result of economic downturn, which leads to the decrease in demand of our fit-out services, our business, financial condition and financial results may be adversely affected. However, our clients may also engage us for reinstatement services to restore their old offices to their original state when they move out due to the deterioration of economic conditions, which reduce our exposure to economic downturn.

#### **Tender success rate**

During the Track Record Period, we derived most of our revenue from contracts obtained through a competitive tender process and the revenue is not recurring in nature. The growth of our business depends on our ability to win the tender that we submit. For the two years ended March 31, 2016 and 2017, our tender success rate was approximately 52.2% and 62.7%, respectively. Our existing clients are not under any contractual obligation to give us first right for any future projects and we need to undergo tender process again in order to be awarded future projects. We cannot assure you that we will be successful in our future tender with new clients. Our business, financial condition and financial results may be adversely affected if our tender success rate decreases in the future.

## FINANCIAL INFORMATION

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### Market competition

We are an interior fit-out solutions provider focusing on providing services to clients whose offices are predominately situated in Grade A offices in Hong Kong, according to the Industry Report, the low entry and exit barriers in the fit-out sector in general lead to fierce competitions between a large number of contractors. Some of our competitors may have better track record, more resources and more qualifications entitling them to provide a wider range of services which increase their competitiveness. When we determine the tender price, we may face keen competition and significant downward pricing pressure which reduce our profit margins.

In order to be competitive, contractors (including us) tend to target specific type of customers, such as Grade A offices, hospitals, hotels, schools/institutions, or luxury shops. The entry barrier for fit-out works for Grade A offices is higher as tenants of Grade A offices normally require high quality fit-out works and they are willing to pay premium for quality. The tenants of Grade A offices choosing fitting-out provider do not just consider the price, but also consider the track record and industry reputation of interior fit-out solutions providers.

### Failure to complete projects according to the tender documents and contract terms

We typically receive the tender documents and invitations to submit tender after we pass the pre-qualification screening. The tender documents set out the conditions of the tender, specifications, quality standards, safety measure, timetable and drawings and a set of submission criteria including time and place of submission. Failure to comply with any of these requirements or contract terms may make us liable to pay penalties or damages, which may jeopardize our reputation and have an adverse effect on our business, financial condition and financial results. During the Track Record Period, no claim for any damages or penalties has been made against us by our customers for any of the aforesaid reasons. We will continue to give full effort to ensure our current and future projects are completed in accordance with our customers' requirements.

### Fluctuations in our subcontracting charges

For the years ended March 31, 2016 and 2017, our subcontracting charges amounted to HK\$183.4 million and HK\$221.9 million, respectively, representing 91.1% and 90.7% of our cost of sales for the same period, respectively. During the Track Record Period, we adopted a cost-plus pricing model and the subcontracting charges were bore by our clients as reflected in our quotation. Failure to estimate the subcontracting charges and reflect in our tender price may adversely affect our business and financial results.

Therefore, at the pre-tendering stage, our quantity surveyor, site manager and project manager collaboratively determine the profit margin of a project based on various factors including potential costs structure, human resources required, payment terms and completion schedule. We also take into account the pricing trends of materials and labor cost and previous pricing records for similar projects.

## FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting charges on our profit before income tax during the Track Record Period, assuming the fluctuation of subcontracting charges to be 10% and 20% during the two years ended March 31, 2017 with other variables remained constant:

	HK\$'000, except percentage			
	+ 10%	- 10%	+ 20%	- 20%
Changes in profit before income tax				
For the year ended March 31, 2016 .....	(18,344)	18,344	(36,688)	36,688
For the year ended March 31, 2017 .....	(22,189)	22,189	(44,378)	44,378

## CRITICAL ACCOUNTING POLICIES

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

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended March 31,		
	2016	% change	2017
	HK\$'000		HK\$'000
<b>Revenue</b> .....	<b>231,124</b>	<b>21.5</b>	<b>280,670</b>
Cost of sales .....	(201,415)	21.5	(244,687)
<b>Gross profit</b> .....	<b>29,709</b>	<b>21.1</b>	<b>35,983</b>
Administrative expenses .....	(7,429)	(4.6)	(7,085)
<b>Profit before income tax</b> .....	<b>22,280</b>	<b>29.7</b>	<b>28,898</b>
Income tax expense .....	(3,676)	30.5	(4,798)
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b> .....	<b>18,604</b>	<b>29.5</b>	<b>24,100</b>

## PRINCIPAL COMBINED STATEMENTS OF COMPREHENSIVE INCOME COMPONENTS

### Revenue

We generate our revenue principally from projects where we provide fit-out solutions. During the Track Record Period, our revenue from provision of our services was mainly derived from five types of projects: (i) bare shell fit-out; (ii) restacking; (iii) reinstatement; (iv) maintenance and (v) churn work. Our revenue for the years ended March 31, 2016 and 2017 was HK\$231.1 million and HK\$280.7 million, respectively.

## FINANCIAL INFORMATION

### *Revenue by types of project*

The following table sets forth the breakdown of our revenue by types of projects:

	For the year ended March 31,			
	2016	% of revenue	2017	% of revenue
	HK\$'000		HK\$'000	
Bare shell fit-out .....	211,142	91.4	215,822	76.9
Restacking .....	5,664	2.5	26,505	9.4
Reinstatement .....	3,938	1.7	22,270	7.9
Maintenance .....	1,592	0.6	1,781	0.7
Churn work .....	8,788	3.8	14,292	5.1
<b>Total</b> .....	<u>231,124</u>	100.0	<u>280,670</u>	100.0

### *Bare shell fit-out*

Our revenue generated from bare shell fit-out projects was HK\$211.1 million and HK\$215.8 million for the years ended March 31, 2016 and 2017, respectively, which represent 91.4% and 76.9% of our total revenue for the same period. During the Track Record Period, our total revenue was predominantly contributed by our bare shell fit-out projects and we expect our revenue generated from bare shell fit-out projects will continue to account for a substantial portion of our total revenue.

### *Restacking*

Our revenue generated from restacking projects was HK\$5.7 million and HK\$26.5 million for the years ended March 31, 2016 and 2017, respectively, which represent 2.5% and 9.4% of our total revenue for the same period. Due to the low vacancy rate and high rental level of Grade A offices, we expect our revenue generated from restacking projects to increase after the Track Record Period as our clients prefer restacking the existing interior structure of the premises to enhance the efficiency in utilizing the office spaces.

### *Reinstatement*

Our revenue generated from reinstatement projects was HK\$3.9 million and HK\$22.3 million for the years ended March 31, 2016 and 2017, respectively, which represent 1.7% and 7.9% of our total revenue for the same period. We expect our revenue generated from reinstatement projects to decrease after Track Record Period primarily due to an one off relatively larger scale reinstatement project for Client B, which contributed revenue of HK\$21.2 million for the year ended March 31, 2017.

### *Maintenance*

Our revenue generated from maintenance projects was HK\$1.6 million and HK\$1.8 million for the years ended March 31, 2016 and 2017, respectively, which represent 0.6% and 0.7% of our total revenue for the same period.

### *Churn work*

Our revenue generated from churn work projects was HK\$8.8 million and HK\$14.3 million for the years ended March 31, 2016 and 2017, respectively, which represent 3.8% and 5.1% of our total revenue for the same period.

## FINANCIAL INFORMATION

### *Revenue by use of premises*

The following table sets forth the breakdown of our revenue by use of premises:

	For the year ended March 31,			
	2016 HK\$'000	% of revenue	2017 HK\$'000	% of revenue
Commercial Offices				
- Grade A offices .....	195,917	84.8	247,947	88.3
- Other Commercial offices .....	1,797	0.8	5,885	2.1
Subtotal .....	197,714	85.6	253,832	90.4
Others .....	33,410	14.4	26,838	9.6
<b>Total</b> .....	<u>231,124</u>	100.0	<u>280,670</u>	100.0

### *Commercial office — Grade A offices*

Our revenue generated from projects for Grade A offices was HK\$195.9 million and HK\$247.9 million for the years ended March 31, 2016 and 2017, respectively, which represent 84.8% and 88.3% of our total revenue for the same period. During the Track Record Period, our total revenue was predominantly contributed by our projects for Grade A offices primarily due to our strategy to focus on the Grade A offices market. We expect our revenue generated from projects for Grade A offices will continue to account for a substantial portion of our total revenue.

### *Commercial office — other commercial office*

Our revenue generated from projects for other commercial offices was HK\$1.8 million and HK\$5.9 million for the years ended March 31, 2016 and 2017, respectively, which represent 0.8% and 2.1% of our total revenue for the same period.

### *Others*

Our revenue generated from projects for non-commercial offices was HK\$33.4 million and HK\$26.8 million for the years ended March 31, 2016 and 2017, respectively, which represent 14.4% and 9.6% of our total revenue for the same period. During the Track Record Period, our projects for non-commercial offices consist of school, serviced apartment, retail shop, hotel and residential property.

### **Cost of sales**

Our cost of sales primarily consists of subcontracting charges, employee benefit expense and others. For the years ended March 31, 2016 and 2017, our cost of sales amounted to HK\$201.4 million and HK\$244.7 million, respectively, representing 87.1% and 87.2% of our revenue for the same period, respectively.

## FINANCIAL INFORMATION

The following table sets for the breakdown of our cost of sales:

	For the year ended March 31,	
	2016	2017
	HK\$'000	HK\$'000
Subcontracting charges .....	183,444	221,889
Employee benefit expense .....	10,067	12,563
Others .....	7,904	10,235
<b>Total</b> .....	<b>201,415</b>	<b>244,687</b>

### *Subcontracting charges*

Subcontracting charges were the key component of our cost of sales, which represent the costs incurred by our Group for engaging subcontractors to carry out fit-out works. For the years ended March 31, 2016 and 2017, our subcontracting charges amounted to HK\$183.4 million and HK\$221.9 million, respectively, representing 91.1% and 90.7% of our cost of sales for the same period, respectively.

### *Employee benefit expense*

Employee benefit expense under the cost of sales represents salaries, allowances and pension provided to our project and construction management staff. For the years ended March 31, 2016 and 2017, our employee benefit expense under the cost of sales amounted to HK\$10.1 million and HK\$12.6 million, respectively, representing 5.0% and 5.1% of our cost of sales for the same period, respectively.

### *Others*

Other cost of sales primarily consists of insurance expenses and cleaning expenses. For the years ended March 31, 2016 and 2017, our other cost of sales amounted to HK\$7.9 million and HK\$10.2 million, respectively, representing 3.9% and 4.2% of our cost of sales for the same period, respectively.

### *Gross profit*

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. For the years ended March 31, 2016 and 2017, our gross profit amounted to HK\$29.7 million and HK\$36.0 million, respectively, representing a gross profit margin of 12.9% and 12.8% for the same period, respectively.

### *Administrative expenses*

Our administrative expenses primarily consist of employee benefit expense and provision for doubtful debts. For the years ended March 31, 2016 and 2017, our administrative expenses amounted to HK\$7.4 million and HK\$7.1 million, respectively, representing 3.2% and 2.5% of our revenue for the same period, respectively.

### *Employee benefit expense*

Employee benefit expense under the administrative expenses represents salaries, allowances and pension provided to our administrative staff. For the years ended March 31, 2016 and 2017, our employee benefit expense under the administrative expenses amounted to HK\$3.4 million and HK\$4.4 million, respectively, representing 45.9% and 62.0% of our administrative expenses for the same period, respectively.

## FINANCIAL INFORMATION

### Income tax expense

Our operation in Hong Kong was subject to a profit tax rate of 16.5% on the estimated assessable profits during the Track Record Period. For further details, see Note 9 to the accountant’s report included in Appendix I to this document. Our income tax expense amounted to HK\$3.7 million and HK\$4.8 million for the years ended March 31, 2016 and 2017, respectively, representing an effective tax rate of 16.6% and 16.6% for the same period, respectively.

### RESULTS OF OPERATION OF OUR GROUP

#### Comparison of the financial year ended March 31, 2017 to the financial year ended March 31, 2016

##### *Revenue*

Our revenue increased by HK\$49.6 million from HK\$231.1 million for the year ended March 31, 2016 to HK\$280.7 million for the year ended March 31, 2017, representing an increase of 21.5%. The increase in our revenue was primarily due to (i) the increase in revenue from all five of our business segments, especially restacking and reinstatement; and (ii) the completion of our largest bare shell fit-out project to date in terms of revenue recognized from Client CL, our largest client for the financial year ended March 31, 2017.

##### *Revenue by types of project*

###### Bare shell fit-out projects

Our revenue for the Track Record Period was predominantly contributed by bare shell fit-out projects. Revenue generated from our bare shell fit-out projects increased by HK\$4.7 million from HK\$211.1 million for the year ended March 31, 2016 to HK\$215.8 million for the year ended March 31, 2017. Even though the number of bare shell fit-out projects completed during the year ended March 31, 2017 was less than the previous financial year, our revenue generated from bare shell fit-out project increased as we were awarded and completed the bare shell fit-out project for Client CL, our largest client for the financial year ended March 31, 2017, which contributed revenue of HK\$65.4 million for the year ended March 31, 2017.

###### Restacking projects

Revenue generated from our restacking projects increased by HK\$20.8 million from HK\$5.7 million for the year ended March 31, 2016 to HK\$26.5 million for the year ended March 31, 2017, representing an increase of 365.0%. The increase in revenue generated from restacking projects was primarily due to two large-scale restacking projects awarded during the year ended March 31, 2017, such as the restacking project for Client UP, which contributed revenue of HK\$9.3 million for the year ended March 31, 2017 and the restacking project for Client SG, which contributed revenue of HK\$6.2 million for the year ended March 31, 2017.

###### Reinstatement projects

Revenue generated from our reinstatement projects increased by HK\$18.4 million from HK\$3.9 million for the year ended March 31, 2016 to HK\$22.3 million for the year ended March 31, 2017 representing an increase of 471.8%. The increase in revenue generated from reinstatement projects was primarily due to a large-scale reinstatement project for Client B, which contributed revenue of HK\$21.2 million for the year ended March 31, 2017.

###### Maintenance projects

Revenue generated from our maintenance projects increased by HK\$0.2 million from HK\$1.6 million for the year ended March 31, 2016 to HK\$1.8 million for the year ended March 31, 2017. During

## FINANCIAL INFORMATION

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the Track Record Period, majority of our maintenance projects were post fit-out services provided to our clients who engaged us to provide bare shell fit-out or restacking services previously. Therefore, the increase in revenue generated from our maintenance projects was in line with the increase in our revenue generated from our bare shell fit-out and restacking projects.

### Churn work projects

Revenue generated from our churn work projects increased by HK\$5.5 million from HK\$8.8 million for the year ended March 31, 2016 to HK\$14.3 million for the year ended March 31, 2017. During the Track Record Period, majority of our churn work projects were post fit-out services provided to our clients who engaged us to provide bare shell fit-out or restacking services previously. Therefore, the increase in revenue generated from our churn work projects was in line with the increase in our revenue generated from our bare shell fit-out and restacking projects.

### *Revenue by use of premises*

#### Commercial offices — Grade A offices

Revenue generated from projects for Grade A offices increased by HK\$52.0 million from HK\$195.9 million for the year ended March 31, 2016 to HK\$247.9 million for the year ended March 31, 2017. The increase in revenue generated from projects for Grade A offices was primarily due to (i) our strategy to focus on the Grade A offices market in order to increase our market share of this particular segment; and (ii) the completion of our largest project for Grade A office to date in terms of revenue recognized for Client CL, our largest client for the financial year ended March 31, 2017, which contributed revenue of HK\$65.4 million for the year ended March 31, 2017.

#### Commercial offices — other commercial offices

Revenue generated from projects for other commercial offices increased by HK\$4.1 million from HK\$1.8 million for the year ended March 31, 2016 to HK\$5.9 million for the year ended March 31, 2017. The increase in revenue generated from projects for other commercial offices was primarily contributed by the completion of a bare shell fit-out project and a restacking project for Grade B office, which contributed revenue of HK\$2.9 million and HK\$2.3 million, respectively.

#### Others

Revenue generated from projects for non-commercial offices such as schools, serviced apartment and residential properties decreased by HK\$6.6 million from HK\$33.4 million for the year ended March 31, 2016 to HK\$26.8 million for the year ended March 31, 2017. The decrease in revenue generated from projects for non-commercial offices was primarily due to our strategy to focus on the Grade A offices market in order to increase our market share.

### *Cost of sales*

Our cost of sales increased by HK\$43.3 million from HK\$201.4 million for the year ended March 31, 2016 to HK\$244.7 million for the year ended March 31, 2017, representing an increase of 21.5%. The increase in our cost of sales was in line with our increase in revenue for the same period.

### *Subcontracting charges*

Our subcontracting charges increased by HK\$38.5 million from HK\$183.4 million for the year ended March 31, 2016 to HK\$221.9 million for the year ended March 31, 2017, representing an increase of 21.0%. The increase in subcontracting charges was in line with the increase in our revenue for the year ended March 31, 2017 compared to the year ended March 31, 2016.

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## FINANCIAL INFORMATION

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### *Employee benefit expense*

Our employee benefit expense increased by HK\$2.5 million from HK\$10.1 million for the year ended March 31, 2016 to HK\$12.6 million for the year ended March 31, 2017, representing an increase of 24.8%. The increase in employee benefit expense was primarily due to the increase in number of employees and salary for the year ended March 31, 2017 compared to the year ended March 31, 2016.

### *Gross profit*

As a result of the foregoing, our gross profit increased by HK\$6.3 million from HK\$29.7 million for the year ended March 31, 2016 to HK\$36.0 million for the year ended March 31, 2017, representing an increase of 21.2%.

Our gross profit margin decreased by 0.1% from 12.9% for the year ended March 31, 2016 to 12.8% for the year ended March 31, 2017. Our gross profit margin was stable during the Track Record Period primarily due to (i) the cost-plus pricing model we adopted and efficient cost control during the project period to avoid unexpected cost; and (ii) our quantity surveyor, site manager and project manager who collaboratively determine the profit margin of a project based on various factors including potential costs structure, human resources required, payment terms and completion schedule.

### *Administrative expenses*

Our administrative expenses decreased by HK\$0.3 million from HK\$7.4 million for the year ended March 31, 2016 to HK\$7.1 million for the year ended March 31, 2017, representing a decrease of 4.1%. The decrease in our administrative expenses was primarily due to operational efficiency.

### *Profit before income tax*

As a result of the foregoing, our profit before income tax increased by HK\$6.6 million from HK\$22.3 million for the year ended March 31, 2016 to HK\$28.9 million for the year ended March 31, 2017, representing an increase of 29.6%.

### *Income tax expense*

Our income tax expense increased by HK\$1.1 million from HK\$3.7 million for the year ended March 31, 2016 to HK\$4.8 million for the year ended March 31, 2017, representing an increase of 29.7%. The increase in our income tax expense was primarily due to the increase in profit before income tax for the same period.

### *Profit and total comprehensive income attributable to owners of the Company*

As a result of the factors discussed above, our profit and total comprehensive income attributable to owners of the Company increased by HK\$5.5 million from HK\$18.6 million for the year ended March 31, 2016 to HK\$24.1 million for the year ended March 31, 2017, representing an increase of 29.6%. Our net profit margin increased by 0.6% from 8.0% for the year ended March 31, 2016 to 8.6% for the year ended March 31, 2017. Our net profit margin remained stable during the Track Record Period.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from our Shareholders and internally generated funds from our operating activities. As at March 31, 2016 and 2017, we had cash and cash equivalents of HK\$17.5 million and HK\$19.8 million, respectively.

## FINANCIAL INFORMATION

We had net cash flows from operating activities of HK\$19.6 million and HK\$8.8 million for the years ended March 31, 2016 and 2017, respectively. We require cash primarily for financing the operation of the projects awarded and general working capital needs. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the [REDACTED] from the [REDACTED], the cash and cash equivalents available and other possible equity and debt financings as and when appropriate.

### Cash flows of our Group

The following table sets forth the selected cash flow data from the combined statements of cash flows for the Track Record Period:

	Year ended March 31,	
	2016	2017
	HK\$'000	HK\$'000
Net cash generated from operating activities .....	19,563	8,796
Net cash used in investing activity .....	(69)	(57)
Net cash used in financing activity .....	(2,400)	(6,400)
Net increase in cash and cash equivalents .....	17,094	2,339
Cash and cash equivalents at beginning of year .....	376	17,470
Cash and cash equivalents at end of year .....	17,470	19,809

### Net cash flows from operating activities

Our cash inflow from operating activities is principally derived from the receipts of payment from our provision of services. Our operating expenses comprised mainly subcontracting costs. During the Track Record Period, our net cash flows from operating activities represented profit before tax for the year adjusted for depreciation charge, finance income, provision for doubtful debt, income tax paid, non-cash items and changes in working capital.

For the year ended March 31, 2017, we had net cash generated from operating activities of HK\$8.8 million. This amount represents profit before income tax of HK\$28.9 million, (i) adjusted for certain non-cash expenses, mainly provision for doubtful debts of HK\$0.1 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the increase in trade payables of HK\$2.8 million and the increase in amount due to customers for contract work of HK\$2.1 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the increase in trade and retention receivables of HK\$19.5 million. The decrease in the net cash generated from operating activities for the year ended March 31, 2017 was primarily due to (i) increase in income tax paid during the year because of the increase in profit before tax for the year ended March 31, 2017; and (ii) increase of trade and retention receivables due to the growth of business.

For the year ended March 31, 2016, we had net cash generated from operating activities of HK\$19.6 million. This amount represent profit before tax of HK\$22.3 million, (i) adjusted for certain non-cash expenses, mainly provision for doubtful debts of HK\$1.5 million, and for changes in certain working capital items that positively affected operating cash flow, mainly the increase in trade payables of HK\$15.7 million and increase in accruals and other payables of HK\$3.8 million, and (ii) offset by changes in certain working capital items that negatively affected operating cash flow, mainly the increase in trade and retention receivables of HK\$11.9 million and increase in amounts due from customers for contract work of HK\$11.1 million. The increase in trade and retention receivables was primarily due to

## FINANCIAL INFORMATION

the growth of business for the year ended March 31, 2016 compared to the year ended March 31, 2015. The increase in amount due from customers for contract work was primarily due to the difference between the progress of project as at the financial year end and the progress billing received from customers.

### Net cash flows used in investing activities

Our cash used in investing activities mainly consists of purchase of property, plant and equipment.

For the year ended March 31, 2017, we had net cash used in investing activities of HK\$0.1 million due to the purchase of property, plant and equipment of HK\$0.1 million.

For the year ended March 31, 2016, we had net cash used in investing activities of HK\$0.1 million, due to the purchase of property, plant and equipment of HK\$0.1 million.

### Net cash flows used in financing activities

Our cash used in financing activities mainly consists of dividends paid.

For the year ended March 31, 2017, we had net cash used in financing activities of HK\$6.4 million due to the dividends paid of HK\$6.4 million.

For the year ended March 31, 2016, we had net cash used in financing activities of HK\$2.4 million, which primarily consists of dividends paid of HK\$2.4 million.

### NET CURRENT ASSETS AND LIABILITIES

The following table sets forth the breakdown of our current assets and current liabilities as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
<b>Current assets</b>		
Trade and retention receivables . . . . .	50,522	69,940
Amount due from a related company . . . . .	877	-
Amounts due from Shareholders . . . . .	-	390
Amounts due from Directors . . . . .	2,219	-
Amounts due from customers for contract work . . . . .	11,593	10,020
Deposits, other receivables and prepayments . . . . .	3,951	3,436
Cash and cash equivalents . . . . .	17,470	19,809
<b>Total current assets</b> . . . . .	<u>86,632</u>	<u>103,595</u>
<b>Current liabilities</b>		
Trade payables . . . . .	44,752	47,546
Accruals and other payables . . . . .	4,258	5,332
Amounts due to customers for contract work . . . . .	543	2,650
Amounts due to Directors . . . . .	-	12,806
Current income tax liabilities . . . . .	5,103	215
<b>Total current liabilities</b> . . . . .	<u>54,656</u>	<u>68,549</u>
<b>Net current assets</b> . . . . .	<u>31,976</u>	<u>35,046</u>

## FINANCIAL INFORMATION

Out total current assets as at March 31, 2016 and 2017 amounted to approximately HK\$86.6 million and HK\$103.6 million, respectively, which primarily consisted of trade and retention receivables, amount due from a related company, amounts due from Directors, amounts due from Shareholders, amounts due from customers for contract work, deposits, other receivables and prepayments and cash and cash equivalents. Out total current liabilities as at March 31, 2016 and 2017 amounted to approximately HK\$54.7 million and HK\$68.5 million, respectively, which primarily consisted of trade payables, accruals and other payables, amounts due to customers for contract work, amounts due to Directors and current income tax liabilities.

Our net current assets increased from HK\$32.0 million for the year ended March 31, 2016 to HK\$35.0 million for the year ended March 31, 2017. The increase in net total current assets was primarily due to the increase in trade and retention receivables by HK\$19.4 million, partially offset by the increase in trade payables by HK\$2.8 million and increase in amounts due to Directors by HK\$12.8 million.

### DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
<b>ASSETS</b>		
Non-current assets		
Plant and equipment . . . . .	83	103
Current assets		
Trade and retention receivables . . . . .	50,522	69,940
Amount due from a related company . . . . .	877	-
Amounts due from Shareholders . . . . .	-	390
Amounts due from Directors . . . . .	2,219	-
Amounts due from customers for contract work . . . . .	11,593	10,020
Deposits, other receivables and prepayments . . . . .	3,951	3,436
Cash and cash equivalents . . . . .	17,470	19,809
	<u>86,632</u>	<u>103,595</u>
Total assets . . . . .	<u>86,715</u>	<u>103,698</u>
<b>EQUITY</b>		
Equity attributable to the owners of the Company		
Combined capital . . . . .	10	400
Retained earnings . . . . .	32,049	34,749
Total equity . . . . .	<u>32,059</u>	<u>35,149</u>
<b>LIABILITIES</b>		
Current liabilities		
Trade payables . . . . .	44,752	47,546
Accruals and other payables . . . . .	4,258	5,332
Amounts due to customers for contract work . . . . .	543	2,650
Amounts due to Directors . . . . .	-	12,806
Current income tax liabilities . . . . .	5,103	215
Total liabilities . . . . .	<u>54,656</u>	<u>68,549</u>
Total equity and liabilities . . . . .	<u>86,715</u>	<u>103,698</u>

## FINANCIAL INFORMATION

### Plant and equipment

Our plant and equipment primarily consist of furniture and equipment. We had plant and equipment of HK\$83 thousand and HK\$103 thousand as at March 31, 2016 and 2017. Our plant and equipment increased by 24.1% from HK\$83 thousand as at March 31, 2016 to HK\$103 thousand as at March 31, 2017 primarily due to addition of office furniture of HK\$57 thousand during the year ended March 31, 2017.

### Trade and retention receivables

Our trade and retention receivables primarily consist of trade receivables and retention receivables. As at March 31, 2016 and 2017, we had trade and retention receivables of HK\$50.5 million and HK\$69.9, respectively.

The following table sets forth the breakdown of our trade and retention receivables as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Trade receivables .....	43,876	55,920
Less: Provision for doubtful debts .....	(1,505)	(1,583)
Trade receivables — net .....	42,371	54,337
Retention receivables .....	8,151	15,631
Less: Provision for doubtful debts .....	-	(28)
Retention receivables — net .....	8,151	15,603
Trade and retention receivables — net .....	50,522	69,940

### Trade receivables

Our trade receivables are non-interest bearing and our Group does not hold any collateral or other credit enhancements over these balances. As at March 31, 2016 and 2017, we had trade receivables of HK\$42.4 million and HK\$54.3 million, respectively.

The following table sets forth the breakdown of our trade receivables as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Trade receivables .....	43,876	55,920
Less: Provision for doubtful debts .....	(1,505)	(1,583)
	42,371	54,337

Our trade receivables increased by HK\$11.9 million from HK\$42.4 million as at March 31, 2016 to HK\$54.3 million as at March 31, 2017, representing an increase of 28.1%. The growth in our trade receivables were in line with the growth of our revenue. As the business of our Group is project-based, our trade receivables is subject to the progress and number of projects as at the reporting date. Our trade receivables of HK\$54.3 million as at March 31, 2017 was mainly contributed by the trade receivable of HK\$27.7 million from Client CL and HK\$8.6 million from Client AC.

## FINANCIAL INFORMATION

The credit terms granted was generally 30 days from the invoice date. The following table sets forth the ageing analysis of our trade receivables based on the invoice date as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Within 30 days .....	31,148	41,588
31 to 60 days .....	4,331	3,630
61 to 90 days .....	966	5,984
91 to 180 days .....	3,623	1,239
Over 180 days .....	3,808	3,479
	<u>43,876</u>	<u>55,920</u>

As at March 31, 2016 and 2017, trade receivables of HK\$11.2 million and HK\$12.7 million, respectively, were past due but not impaired. These balances related to customers who are financially healthy, making continuous repayment and not in dispute with us. Some of these amounts are overdue because the customers are going through their internal settlement procedures. Based on the above, our Directors were of the view that no additional impairment allowance was necessary in respect of these overdue balances, as there had not been significant change in credit quality of our customers and the balances were considered fully recoverable. Based on past experiences, the overdue amounts can be recovered. The following table sets forth the ageing analysis of these trade receivables:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Within 30 days .....	4,331	3,630
31 to 60 days .....	966	5,984
61 to 90 days .....	2,785	911
Over 90 days .....	3,141	2,224
Overdue but not impaired .....	<u>11,223</u>	<u>12,749</u>

The ageing debt profile of trade debtors is reviewed on a regular basis to ensure that the trade receivables balances are collectable. Our Group would assess the recoverability problem of individual clients with outstanding balance aged over 60 days. Management would consider their actual situation, such as whether they have continuity in projects, the reason of delay in settlement, the length of relationship and the liquidity of the clients. However, from time to time, the Group may experience delays in collection. Where recoverability of trade receivables balance are called into doubts, specific provisions for doubtful debts are made based on credit status of the customers, the ageing analysis of the trade receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the combined statements of comprehensive income. Changes in the collectability of trade receivables for which provisions are not made could affect the results of operations of our Group.

## FINANCIAL INFORMATION

The following table sets forth the movements in our Group’s provision for doubtful debts of trade receivables as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
At beginning of the year . . . . .	-	1,505
Provision for doubtful debt . . . . .	1,505	106
	<u>1,505</u>	<u>1,611</u>

Our directors and management seek to maintain strict control over our outstanding receivables and closely monitor them to minimize credit risk. Our Directors analyse our trade receivable collection process from time to time. Our measures to ascertain collectability of our trade receivables include: (i) maintain short billing cycles to our customers once relevant works are completed in accordance with the agreed schedule and revenue recognized; and (ii) check and reconcile outstanding balance with customers at regular interval.

The following table sets forth our average trade receivables turnover days and trade and retention receivables turnover days for the years indicated:

	Year ended March 31,	
	2016	2017
Trade receivables turnover days <sup>(1)</sup> . . . . .	66	65
Trade and retention receivables turnover days <sup>(2)</sup> . . . . .	73	80

*Note:*

1. Trade receivables turnover days were calculated based on the averaged of the opening and closing trade receivables divided by revenue for the relevant year multiplied by 365
2. Trade and retention receivables turnover days were calculated based on the averaged of the opening and closing trade and retention receivables divided by revenue for the relevant year multiplied by 365

Our trade receivables turnover days remained stable at 66 days as at March 31, 2016 and 65 days as at March 31, 2017.

Our trade and retention receivables turnover days increased from 73 days as at March 31, 2016 to 80 days as at March 31, 2017 primarily due to the retention monies withheld by Client HI and Client CL of HK\$2.1 million and HK\$3.3 million, respectively.

For details of our trade receivables, see Note 14 to the accountant’s report included in Appendix I to this document.

Up to June 30, 2017, HK\$31.5 million of trade receivables have been settled by our customers after the Track Record Period.

### ***Retention receivables***

Retention receivables are monies withheld by our customers which will be refunded upon expiry of defect liability period of the relevant contracts. As at March 31, 2016 and 2017, we had retention receivables of HK\$8.2 million and HK\$15.6 million, respectively.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of our retention receivables as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Retention receivables .....	8,151	15,631
Less: Provision for doubtful debts .....	-	(28)
Retention receivables — net .....	<u>8,151</u>	<u>15,603</u>

Our retention receivables increased by HK\$7.4 million from HK\$8.2 million as at March 31, 2016 to HK\$15.6 million as at March 31, 2017, representing an increase of 90.2%. The increase in retention receivables was monies withheld by Client HI and Client CL of HK\$2.1 million and HK\$3.3 million, respectively.

Retention monies is payable after one year from the date of completion of the relevant contract works. The following table sets forth the ageing analysis of our retention receivables based on the invoice date is as follows:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Within 30 days .....	7,971	14,385
31 to 60 days .....	-	-
61 to 90 days .....	94	-
91 to 180 days .....	58	410
Over 180 days .....	28	836
	<u>8,151</u>	<u>15,631</u>

As at March 31, 2016 and 2017, retention receivables of HK\$0.2 million and HK\$1.2 million, respectively, were past due but not impaired. These balances related to independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The following table sets forth the ageing analysis of these retention receivables:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
31 to 60 days .....	94	-
61 to 90 days .....	58	-
Over 90 days .....	28	1,218
Overdue but not impaired	<u>180</u>	<u>1,218</u>

## FINANCIAL INFORMATION

The following table sets forth the movements in our Group’s provision for doubtful debts of retention receivables as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
At beginning of the year . . . . .	—	—
Provision for doubtful debt . . . . .	—	28
At end of the year . . . . .	—	28

The ageing of retention receivables is reviewed on a regular basis to ensure that the retention receivables balances are collectable. Our Group would assess the recoverability problem of individual clients with outstanding balance aged over 60 days. Management would consider their actual situation, such as the reason of delay in settlement, the length of relationship and the liquidity of the clients. However, from time to time, the Group may experience delays in collection. Where recoverability of retention receivables balance are called into doubts, specific provisions for doubtful debts are made based on credit status of the customers, the ageing analysis of the retention receivables balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the combined statement of comprehensive income. Changes in the collectability of retention receivables for which provisions are not made could affect the results of operations of our Group.

For details of our retention receivables, see Note 14 to the accountant’s report included in Appendix I to this document.

Up to June 30, 2017, HK\$3.0 million of retention receivables have been settled by our customers after the Track Record Period.

### Amount due from a related company

As at March 31, 2016 and 2017, we had amount due from a related company of HK\$0.9 million and nil, respectively. Our amount due from a related company were non-trade in nature, unsecured, interest-free and repayable on demand.

Our amount due from a related company decreased by 100.0% from HK\$0.9 million as at March 31, 2016 to nil as at March 31, 2017 primarily due to settlement during the year ended March 31, 2017.

For details of our amount due from a related company, see Note 22 to the accountant’s report included in Appendix I to this document.

### Amounts due from Shareholders

Our amounts due from Shareholders were non-trade in nature, unsecured, interest-free and repayable on demand. As at March 31, 2016 and 2017, we had amounts due from Shareholders of nil and HK\$0.4 million, respectively, which will be fully settled before [REDACTED].

## FINANCIAL INFORMATION

### Amounts due from/ to Directors

The following table sets forth a breakdown of our amount due from/ to Directors

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Amounts due from Directors .....	2,219	—
Amounts due to Directors .....	—	12,806

During the Track Record Period, amounts due from Directors represents the expenses paid on behalf of the Directors. The amounts due from Directors were non-trade in nature, unsecured, interest-free and repayable on demand. Our amounts due from Directors decreased from HK\$2.2 million to nil primarily due to the settlement during the year ended March 31, 2017.

During the Track Record Period, amounts due to Directors represents dividend declared for the retained earnings of the Company. The amounts due to Directors were unsecured, interest-free and repayable on demand. Our amounts due to Directors increased from nil to HK\$12.8 million primarily due to dividend declared but not yet paid as at March 31, 2017.

Our amounts due to Directors were fully settled after the Track Record Period.

For details of our amounts due from Directors, see Note 22 to the accountant’s report included in Appendix I to this document.

### Amounts due from customers for contract work

Our amounts due from customers for contract work represents contract costs incurred plus recognized profits less recognized loss, offset by progress billing received and receivable. Our Group presents the balance as an asset when the gross amounts due from customers for contract works for all projects in progress for which cost incurred plus recognized profits and less recognized losses exceed progress billings received and receivable. As at March 31, 2016 and 2017, we had amounts due from customers for contract work of HK\$11.6 million and HK\$10.0 million, respectively.

For details of our amounts due from customers for contract work, see Note 15 to the accountant’s report included in Appendix I to this document.

### Deposits, other receivables and prepayments

As at March 31, 2016 and 2017, we had deposit, other receivables and prepayments of HK\$4.0 million and HK\$3.4 million, respectively.

The following table sets forth our deposits, other receivables and prepayments for the period indicated:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Deposits .....	3,677	3,287
Prepayments .....	147	49
Other receivables .....	127	100
	<u>3,951</u>	<u>3,436</u>

## FINANCIAL INFORMATION

As at March 31, 2016 and 2017, deposits of HK\$3.2 million and HK\$2.2 million was in relation to the guarantees of surety bonds in respect of five and one projects of our Group.

Our deposits, other receivables and prepayments decreased by 15% from HK\$4.0 million as at March 31, 2016 to HK\$3.4 million as at March 31, 2017 primarily due to the decrease of surety bond of HK\$1.0 million during the year ended March 31, 2017.

### Trade payables

Our trade payables are non-interest bearing and generally have payment terms of 30 to 60 days. During the Track Record Period, we had trade payables of HK\$44.8 million and HK\$47.5 million as at March 31, 2016 and 2017.

Our trade payables increased by 6.0% from HK\$44.8 million as at March 31, 2016 to HK\$47.5 million as at March 31, 2017 primarily due to the increase in retention monies we withheld from our subcontractors because of the corresponding increase in retention monies withheld by our relevant clients.

The following table sets forth the ageing analysis of our trade payables based on the invoice date as at March 31, 2016 and 2017:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
Within 30 days .....	27,948	8,763
31 to 60 days .....	2,689	7,482
61 to 90 days .....	3,603	7,295
91 to 180 days .....	6,672	13,159
Over 180 days .....	3,840	10,847
	<u>44,752</u>	<u>47,546</u>

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

	Year ended March 31,	
	2016	2017
Trade payables turnover days <sup>(1)</sup> .....	<u>70</u>	<u>73</u>

### Note:

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

Our trade payables turnover days remained stable at 70 days as at March 31, 2016 and 73 days as at March 31, 2017.

For details of our trade payables, see Note 18 to the accountant's report included in Appendix I to this document.

Up to June 30, 2017, we have settled trade payables of HK\$22.0 million after the Track Record Period.

## FINANCIAL INFORMATION

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### Accruals and other payables

Our accruals and other payables primarily consist of accrued salaries payables and other accrual and payables. We had accruals and other payables of HK\$4.3 million and HK\$5.3 million as at March 31, 2016 and 2017.

Our accruals and other payables increased by 23.3% from HK\$4.3 million as at March 31, 2016 to HK\$5.3 million as at March 31, 2017 primarily due to the year end bonus of HK\$3.5 million accrued for the growth of business during the year ended March 31, 2017.

### Amounts due to customers for contract work

Our amounts due to customers for contract work represent progress billings received and receivables, offset by contract costs incurred plus attributable profits less recognized loss. Our Group presents the balance as a liability when the gross amounts due to customers for contract works for all projects in progress for which progress billings received and receivable exceed cost incurred plus recognized profits and less recognized losses. As at March 31, 2016 and 2017, we had amounts due to customers for contract work of HK\$0.5 million and HK\$2.7 million, respectively.

For details of our amounts due to customers for contract work, see Note 15 to the accountant’s report included in Appendix I to this document.

### Current income tax liabilities

Our current income tax liabilities represent tax payable by Sanbase Interior, our indirect wholly-owned subsidiary, in Hong Kong. As at March 31, 2016 and 2017, we had current income tax liabilities of HK\$5.1 million and HK\$0.2 million, respectively. The decrease in current income tax liabilities of HK\$4.9 million was primarily due to the provisional tax payment and the payment of last year’s balance.

## INDEBTEDNESS

As at May 31, 2017, being the latest practicable date for the purpose of indebtedness, our Group did not have any loan capital, borrowings, mortgages or charges, indebtedness, contingent liabilities and guarantees. Our Group did not have any unutilized banking facilities.

## WORKING CAPITAL

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

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

## CAPITAL EXPENDITURES AND COMMITMENTS

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

## FINANCIAL INFORMATION

### OPERATING LEASE COMMITMENTS

As at March 31, 2016 and 2017, our Group had the following non-cancellable operating lease commitments in respect of an office and equipment:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
No later than one year .....	411	699
Later than one year and no later than five years .....	218	509
	<u>629</u>	<u>1,208</u>

### CONTINGENT LIABILITIES

As at the Latest Practicable Date, other than disclosed in the section entitled “Business — Regulatory compliance and legal proceedings” of this document, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, we did not have any material contingent liabilities.

### RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 22 of the accountant’s report set out in Appendix I to this document were conducted on normal commercial terms and/or on terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

In the financial year ended March 31, 2016, our Company paid for certain services provided by a company wholly owned by Mr. Wong Kin Kei. These services related to the provision of drawing, graphic design and purchase of sample materials. These transactions amounted to de minimis transactions under Chapter 20 of the GEM Listing Rules. No such transactions was conducted throughout the financial year ended March 31, 2017 and until the Latest Practicable Date.

### OFF BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no other material off-balance sheet arrangements.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group is exposed to a variety of financial risks which comprise credit risk, foreign currency risk, interest rate risk and liquidity risk. Our Group’s financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for our Shareholders. As the Directors consider that our Group’s exposure to financial risk is kept at a minimum level, the Group does not hold or issue derivative financial instruments either for hedging or trading purposes.

For further details, see Note 3 to the accountant’s report included in Appendix I to this document.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	As at March 31,	
	2016	2017
	%	%
<b>Profitability ratios</b>		
Gross profit margin <sup>(1)</sup> .....	12.9	12.8
Net profit margin <sup>(2)</sup> .....	8.0	8.6
Return on equity <sup>(3)</sup> .....	58.0	68.6
Return on total assets <sup>(4)</sup> .....	21.5	23.2
	As at March 31,	
	2016	2017
	times	times
<b>Liquidity ratios</b>		
Current ratio <sup>(5)</sup> .....	1.6	1.5
Quick ratio <sup>(6)</sup> .....	1.6	1.5
<b>Capital adequacy ratio</b>		
Gearing ratio <sup>(7)</sup> .....	Nil	Nil

#### Notes:

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

See the section headed “Financial Information — Results of Operation of Our Group” for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

### Return on equity

Our return on equity was 58.0% and 68.6% as at March 31, 2016 and 2017, respectively. The increase of our return on equity was primarily due to the increase in our profit and total comprehensive income.

### Return on total assets

Our return on total assets was 21.5% and 23.2% as at March 31, 2016 and 2017, respectively. The increase of our return on total assets was primarily due to the increase in our profit and total comprehensive income.

## FINANCIAL INFORMATION

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### Current ratio

Our current ratio remained stable during the Track Record Period.

### Quick ratio

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

### Gearing ratio

During the Track Record Period, our Group did not have any interest-bearing bank or other borrowings.

## DIVIDEND AND DIVIDEND POLICY

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

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

For the year ended March 31, 2016, Sanbase Interior declared and distributed dividends of HK\$2.4 million and HK\$2.4 million, respectively, to our then shareholders.

For the year ended March 31, 2017, Sanbase Interior declared and distributed dividends of HK\$21.4 million and HK\$6.4 million, respectively, to our then shareholders.

## EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO [REDACTED]

Assuming the [REDACTED] is not exercised and assuming the [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total expenses for [REDACTED] are estimated to be approximately [REDACTED], which will be recognized as [REDACTED] for the year ending March 31, 2018.

In view of the above, our Directors are of the view that the one-off [REDACTED], which are non-recurring in nature, will have a material adverse effect on the financial results of our Group for the year ending March 31, 2018. We wish to emphasize that the aforesaid amount of [REDACTED] is a current estimate for reference only and the final amount to be recognized in our consolidated statement of comprehensive income for the year ending March 31, 2018 which will be subject to adjustments based on audit and changes in variables and assumptions.

## DISTRIBUTABLE RESERVE

As at March 31, 2017, our Company had no distributable reserves.

## **FINANCIAL INFORMATION**

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### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

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

### **DISCLOSURE UNDER RULES 17.15 TO 17.21 OF THE GEM LISTING RULES**

Our Directors confirm that as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **RECENT DEVELOPMENT**

Our business model, revenue structure and cost structure remained unchanged since March 31, 2017. Our business maintains a stable growth and is in line with our historical record.

As at the Latest Practicable Date, we had a total of 43 projects on hand with total project sum of approximately HK\$117.3 million. The majority of these projects are for Grade A offices in Hong Kong. In May 2017, we are selected as one of the main contractors of the approved vendor list of Client HB for the provision of fit-out services to certain commercial, residential and retail premises on a framework arrangement basis for a minimum of two years.

Our Directors confirm that, save for the one-off [REDACTED] described under the paragraph headed “[REDACTED]” below, there had been no material adverse change in our financial, operational or trading position or prospects since March 31, 2017, being the date of our latest audited financial results as set out in the Accountant’s Report in Appendix I to this document, up to the date of this document. Please refer to the relevant disclosure set out in note 23 in the Accountant’s Report included in Appendix I to this document for events that took place subsequent to March 31, 2017.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the date of this document, save as the one off [REDACTED] disclosed above, there has been no material adverse change in our financial, operational or trading position since March 31, 2017, being the end of the period reported on in the accountant’s report in Appendix I to this document.

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

### BUSINESS OBJECTIVES STRATEGIES

Our objective is to further expanding our scale of business and strengthening our market leading position in the Grade A offices fit-out industry in Hong Kong. For details of our business strategies, please see the section headed “Business — Business Strategies”.

### REASONS FOR THE [REDACTED]

We set out below our main purposes for seeking the [REDACTED]:

- broadening our shareholder base and enhancing our access to capital for future growth with opportunities to raise fund not only at [REDACTED] but also at a later stage. This is of particular importance to us as we are often required to provide surety bonds issued by a bank or an insurance company backed by cash collateral and/or guarantees in favor of our clients to secure our performance under the contracts, which is typically 10 – 30% of the total contract sum. In addition, we are usually required to settle the payment upfront with our subcontractors before their rendering of services. [REDACTED] from the [REDACTED] will enrich our financial resources and allow us to take on larger-scale projects which require large sums of surety bonds and higher start-up costs at the beginning stages of the projects. With the enriched financial resources, it can enhance our market share and allow us to achieve economy of scale through suitable acquisition, partnership and investment opportunities. We have considered applying for debt financing from banks to fund our future business growth, however, as our Group does not have chargeable assets as security, it increases the difficulty for us to obtain banking facilities. We believe that our [REDACTED] status can reduce the difficulty in this regard. In addition, it is expected that the interest rate for bank loans will be on an upward trend in the future, which can expose us to higher interests cost for obtaining banking facilities. We believe that fund-raising through [REDACTED] will reduce our financing costs;
- enhancing our profile, visibility and our market presence to generate even greater confidence among our clients and subcontractors. By way of [REDACTED], we can elevate our corporate image and status and provide reassurance and confidence to our clients and subcontractors, particularly when exploring new business opportunities with them. Furthermore, with more financial resources, it will enable us to take on projects of greater size, improve our capacity to take on new projects and ensure their timely completion. This can fuel our business growth in a much faster pace and improve our market competitiveness;
- enhancing our operational efficiency and corporate governance through compliance with rigorous regulatory disclosure standards which we believe would enhance our internal control, operating systems and risk management; and
- increasing employee incentive and commitment. Human resources and talents are vital to our business, being a [REDACTED] can help to attract, recruit and retain our valued management personnel, employees and skilled professionals. To provide additional incentive, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. Please see the section headed “Statutory and General Information — Share Option Scheme” for a summary of principal terms of the scheme.

### [REDACTED]

Our Group estimates the net [REDACTED] from the [REDACTED] based on the [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range and after deducting the [REDACTED] and related expenses, will be [REDACTED] (assuming the [REDACTED] is not exercised).

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

We plan to apply these net [REDACTED] for the following purposes:

- approximately [REDACTED] of the [REDACTED] or approximately [REDACTED] will be used for the project execution and start-up costs for our projects, such as for obtaining surety bonds and settling payments to the necessary subcontractors, particularly at the beginning stage of our projects. [REDACTED] from the [REDACTED] will enrich our financial resources and allow us to take on larger-scale projects which require larger sums of surety bonds and higher start-up costs;
- approximately [REDACTED] of the [REDACTED] or approximately [REDACTED], for recruiting high caliber and experienced managers and supervisors for the expansion of our project teams in order to undertake more projects and renting additional office space to support future growth;

The number of staff to be hired, their expected roles and area of expertise are detailed as follows:

Position	No. of staff	Expected roles and area of expertise
Project manager	2	Responsible for the overall implementation and administration of the project including overseeing the carrying out of the project and budgeting, assigning and allocating work to the relevant staff, setting up the reporting channels and communicating with the client’s project team with 10 years of experience in fit-out industry
Site manager	2	Responsible for supervising and monitoring the overall workforce and work progress on-site, supervises workmanship and work quality as well as coordinating with our safety officer to implement our occupational health and safety management on-site with 8 years of experiences in fit-out industry
Site supervisor	2	Responsible for supervising workmanship and work quality, coordinating with our safety officer to implement our occupational health and safety management on-site with 5 years of experiences in fit-out industry
Quantity surveyor	1	Responsible for performing cost estimation, assessing working progress and quantity of work completed, preparing payment applications to clients, monitoring settlement status and processing subcontractors’ invoices with 5 years of experiences in fit-out or construction industry
Safety officer	1	Responsible for developing and supervising the implementation of on-site safety and environmental measures according to statutory requirements, carries out on-site safety and environmental inspection and ensures compliance with 3 years of experiences in fit-out or construction industry
Project coordinator	2	Responsible for handling day-to-day coordination and communications with subcontractors and suppliers of materials with 1 year of experiences in fit-out or construction industry

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

- approximately [REDACTED] of the [REDACTED] or approximately [REDACTED] , for revamping our project management and execution system and implementing enterprise resources planning system; and
- approximately [REDACTED] of the [REDACTED] or approximately [REDACTED], for additional working capital and other general corporate purposes.

If the final [REDACTED] is set at: (i) the low-end; or (ii) the high-end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED], after deducting the [REDACTED] commission and related expenses, are estimated to be (i) approximately [REDACTED] million; or (ii) approximately [REDACTED] million respectively (assuming the [REDACTED] is not exercised). The net [REDACTED] are intended to be used in the same proportions as disclosed above.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately required for the above purposes, it is our present intention that such net [REDACTED] be placed in short-term interest bearing deposit accounts held with authorized financial institutions in Hong Kong.

### IMPLEMENTATION PLANS

We will endeavor to achieve the following milestone events during the period from the Latest Practicable Date to March 31, 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this document. Therefore, there is no assurance that our business plans will materialize in accordance with the estimated time frame and that our future plans will be accomplished at all.

#### From the Latest Practicable Date to March 31, 2018

Objective	Implementation plans	[REDACTED] HK\$'000
Project execution and start-up costs	The undertaking of more projects and the provision of surety bond	[REDACTED]
Recruitment of high caliber and experienced managers and supervisors and rental of additional office space	Recruitment of experienced project management teams to undertake more projects and rental of additional office space to support business growth	[REDACTED]
Revamp of our project management and execution system	Completion of phase one of the system to all internal project management work	[REDACTED]
Implementation of enterprise resources planning system (the “ERP System”)	Feasibility studies to identify the suitable ERP System for our Company and customize the system according to user requirement specifications	[REDACTED]

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

### For the six months ending September 30, 2018

Objective	Implementation plans	[REDACTED] <i>HK\$'000</i>
Project execution and start-up costs	The undertaking of more projects and the provision of surety bond	[REDACTED]
Recruitment of high caliber and experienced managers and supervisors and rental of additional office space	Maintain the payroll of additional staff and additional office rental	[REDACTED]
Revamp of our project management and execution system	Development of phase two of the system and promote all engaged subcontractors to adopt the system in our project subcontracted	[REDACTED]
Implementation of ERP System	Customize the system according to user's specification and parallel run of the system	[REDACTED]

### For the six months ending March 31, 2019

Objective	Implementation plans	[REDACTED] <i>HK\$'000</i>
Project execution and start-up costs	The undertaking of more projects and the provision of surety bond	[REDACTED]
Recruitment of high caliber and experienced managers and supervisors and rental of additional office space	Maintain the payroll of additional staff and additional office rental	[REDACTED]
Revamp of our project management and execution system	Development of phase three of the system and promote our clients in adopting the system	[REDACTED]
Implementation of ERP System	Testing of system, deployment of procedure and launch system	[REDACTED]

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

### For the six months ending September 30, 2019

Objective	Implementation plans	[REDACTED] HK\$'000
Project execution and start-up costs	—	—
Recruitment of high caliber and experienced managers and supervisors	Maintain the payroll of additional staff and additional office rental	[REDACTED]
Revamp of our project management and execution protocol	—	—
Implementation of ERP System	—	—

### For the six months ending March 31, 2020

Objective	Implementation plans	[REDACTED] HK\$'000
Project execution and start-up costs	—	—
Recruitment of high caliber and experienced managers and supervisors	Maintain the payroll of additional staff and additional office rental	[REDACTED]
Revamp of our project management and execution protocol	—	—
Implementation of ERP System	—	—

### For the six months ending September 30, 2020

Objective	Implementation plans	[REDACTED] HK\$'000
Project execution and start-up costs	—	—
Recruitment of high caliber and experienced managers and supervisors and rental of additional office space	Maintain the payroll of additional staff and additional office rental	[REDACTED]
Revamp of our project management and execution system	—	—
Implementation of ERP System	—	—

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

The net [REDACTED] to be used over the period from the Latest Practicable Date up to September 30, 2019 is summarized as follows (after deducting the [REDACTED] and related expenses, assuming the final [REDACTED] is set at the mid-point of the indicative [REDACTED] range and the [REDACTED] is not exercised):

	From the Latest Practicable Date to March 31, 2018	For the six months ending September 30, 2018	For the six months ending March 31, 2019	For the six months ending September 30, 2019	For the six months ending March 31, 2020	For the six months ending September 30, 2020	Total	Approximate percentage of [REDACTED]
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
Project execution and start-up costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Recruitment of high caliber and experienced managers and supervisors and rental of additional office space	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Revamp of our project management and execution system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Implementation of ERP System	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our Group's business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the jurisdictions in which we carry out our operation;
- There will be no material changes with respect to the relationship with our clients and subcontractors;
- there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in the jurisdictions in which we carry out our operation, which would materially disrupt our business operations;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

## STATEMENT OF BUSINESS OBJECTIVES AND [REDACTED]

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- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- the [REDACTED] will be completed as described in the section headed “Structure of the [REDACTED]” in this document;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraphs headed “[REDACTED]” and “Implementation Plans” in this section; and
- we will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this document.

## UNDERWRITING

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HONG KONG [REDACTED]

[REDACTED]

[REDACTED] ARRANGEMENTS AND EXPENSES

[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

### HONG KONG UNDERWRITERS’ INTEREST IN OUR COMPANY

The [REDACTED] and the other [REDACTED] will receive an [REDACTED]. Particulars of these [REDACTED] and expenses are set forth under the paragraph headed “[REDACTED]” above. None of the [REDACTED] or any of their close associates has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

## UNDERWRITING

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### SOLE SPONSOR AND ITS INDEPENDENCE

China Everbright Capital Limited as the Sole Sponsor satisfies the independence criteria applicable to the sponsor as set out in Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor made an [REDACTED] on our behalf to the Stock Exchange for [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. The Sole Sponsor has received or will receive a sponsor fee of approximately HK\$3.5 million in connection with the [REDACTED]. The sponsor fee relates solely to services provided by the Sole Sponsor in its capacity as a sponsor, and not other services which it may provide, such as (without limitation) [REDACTED].

### SOLE SPONSOR’S INTERESTS IN OUR COMPANY

Save for the advisory and documentation fees to be paid to the Sole Sponsor as the sponsor to the [REDACTED], neither the Sole Sponsor nor any of its directors or their close associates has or may have any interest in any class of securities in any members of our Group or 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 members of our Group nor any interest in the [REDACTED]. No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the [REDACTED], any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the [REDACTED]). Certain close associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after the [REDACTED]. No director or employee of the Sole Sponsor has a directorship or substantial shareholding (as defined under the GEM Listing Rules) in our Company or any of our subsidiaries.

[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## UNDERWRITING

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[REDACTED]

## STRUCTURE AND CONDITIONS OF THE [REDACTED]

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[REDACTED]

## **STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

## STRUCTURE AND CONDITIONS OF THE [REDACTED]

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[REDACTED]

## STRUCTURE AND CONDITIONS OF THE [REDACTED]

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[REDACTED]

## STRUCTURE AND CONDITIONS OF THE [REDACTED]

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[REDACTED]

## **STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

## STRUCTURE AND CONDITIONS OF THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR THE [REDACTED]

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[REDACTED]

## APPENDIX I

## ACCOUNTANT’S REPORT

*The following is the text of a report set out on pages I-1 to I-2, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

[PricewaterhouseCoopers letterhead to be inserted]

[DRAFT]

### ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SANBASE CORPORATION LIMITED AND CHINA EVERBRIGHT CAPITAL LIMITED

#### Introduction

We report on the historical financial information of Sanbase Corporation Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-33, which comprises the combined statements of financial position as at March 31, 2016 and 2017, the company statement of financial position as at March 31, 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (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-3 to I-33 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

#### 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 presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### Reporting accountant’s 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 accountant’s judgment, 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 accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that

## APPENDIX I

## ACCOUNTANT’S REPORT

gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at March 31, 2017 and the combined financial position of the Group as at March 31, 2016 and 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

### **Report on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### **Dividends**

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid by Sanbase Corporation Limited in respect of the Track Record Period.

### **No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**

Certified Public Accountants

Hong Kong

[Date]

## APPENDIX I

## ACCOUNTANT’S REPORT

### I. 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 accountant’s report.

The financial statements of the Group for the two years ended March 31, 2016 and 2017 (the “Track Record Period”), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended March 31,	
		2016	2017
		HK\$’000	HK\$’000
Revenue .....	5	231,124	280,670
Cost of sales .....	6	(201,415)	(244,687)
Gross profit .....		29,709	35,983
Administrative expenses .....	6	(7,429)	(7,085)
Profit before income tax .....		22,280	28,898
Income tax expense .....	9	(3,676)	(4,798)
Profit and total comprehensive income for the year attributable to owners of the Company .....		18,604	24,100
Basic and diluted earnings per share .....	11	N/A	N/A

## APPENDIX I

## ACCOUNTANT’S REPORT

### I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at March 31,	
		2016	2017
		HK\$’000	HK\$’000
<b>ASSETS</b>			
Non-current assets			
Plant and equipment . . . . .	12	83	103
Current assets			
Trade and retention receivables . . . . .	14	50,522	69,940
Amount due from a related company . . . . .	22	877	-
Amounts due from shareholders . . . . .	22	-	390
Amounts due from directors . . . . .	22	2,219	-
Amounts due from customers for contract work . . . . .	15	11,593	10,020
Deposits, other receivables and prepayments . . . . .	16	3,951	3,436
Cash and cash equivalents . . . . .	17	17,470	19,809
		<u>86,632</u>	<u>103,595</u>
Total assets . . . . .		<u>86,715</u>	<u>103,698</u>
<b>EQUITY</b>			
Equity attributable to the owners of the Company			
Combined capital . . . . .	19(a)	10	400
Retained earnings . . . . .		<u>32,049</u>	<u>34,749</u>
Total equity . . . . .		<u>32,059</u>	<u>35,149</u>
<b>LIABILITIES</b>			
Current liabilities			
Trade payables . . . . .	18	44,752	47,546
Accruals and other payables . . . . .	18	4,258	5,332
Amounts due to customers for contract work . . . . .	15	543	2,650
Amounts due to directors . . . . .	22	-	12,806
Current income tax liabilities . . . . .		<u>5,103</u>	<u>215</u>
Total liabilities . . . . .		<u>54,656</u>	<u>68,549</u>
Total equity and liabilities . . . . .		<u>86,715</u>	<u>103,698</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

### I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

#### STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<u>Note</u>	<u>As at March 31, 2017</u>
		<b>HK\$’000</b>
<b>ASSETS</b>		
Non-current asset		
Investment in a subsidiary .....	1.2	78
Current asset		
Amounts due from shareholders .....	22(c)	390
Total assets .....		468
<b>EQUITY</b>		
Equity attributable to the owners of the Company		
Share capital .....	19(b)	390
Total equity .....		390
<b>LIABILITY</b>		
Current liability		
Amount due to a subsidiary .....	22(c)	78
Total liability .....		78
Total equity and liability .....		468

## APPENDIX I

## ACCOUNTANT’S REPORT

### I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

#### COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined capital	Retained earnings	Total
	HK\$’000 (Note 19)	HK\$’000	HK\$’000
Balance at April 1, 2015 .....	10	15,845	15,855
Comprehensive income			
Profit for the year .....	-	18,604	18,604
Total comprehensive income .....	-	18,604	18,604
Transactions with owners in their capacity as owners			
Dividends (Note 10) .....	-	(2,400)	(2,400)
Balance as March 31, 2016 .....	10	32,049	32,059
Comprehensive income			
Profit for the year .....	-	24,100	24,100
Total comprehensive income .....	-	24,100	24,100
Transactions with owners in their capacity as owners			
Issue of ordinary shares by the Company to its shareholders .....	390	-	390
Dividends (Note 10) .....	-	(21,400)	(21,400)
Balance as March 31, 2017 .....	400	34,749	35,149

## APPENDIX I

## ACCOUNTANT’S REPORT

### I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

#### COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended March 31,	
		2016	2017
		HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before income tax .....		22,280	28,898
Adjustments for:			
Depreciation charge .....	6	31	37
Provision for doubtful debts .....	6	1,505	106
Operating profits before working capital changes: .....		23,816	29,041
Increase in trade and retention receivables .....		(11,938)	(19,524)
(Increase)/decrease in deposits, receivables and prepayment .....		(1,218)	515
Decrease in amount due from a related company .....		1,636	877
(Increase)/decrease in amounts due from directors .....		(1,000)	25
(Increase)/decrease in amounts due from customers for contract work .....		(11,098)	1,573
Increase in trade payables .....		15,741	2,794
Increase in accruals and other payables .....		3,783	1,074
Increase in amounts due to customers for contract work ....		404	2,107
Net cash generated from operations .....		20,126	18,482
Income tax paid .....		(563)	(9,686)
Net cash generated from operating activities .....		19,563	8,796
Cash flows from investing activity			
Purchases of plant and equipment .....	12	(69)	(57)
Net cash used in investing activity .....		(69)	(57)
Cash flows from financing activity			
Dividends paid .....	10	(2,400)	(6,400)
Net cash used in financing activity .....		(2,400)	(6,400)
Net increase in cash and cash equivalents .....		17,094	2,339
Cash and cash equivalents at beginning of the year .....		376	17,470
Cash and cash equivalents at end of the year .....	17	17,470	19,809

#### *Non-cash transaction:*

On March 24, 2017, the Board of Directors of Sanbase Interior Contracting Limited declared an interim dividend of approximately HK\$21,400,000, of which approximately HK\$6,400,000 was settled in cash and the remaining of approximately HK\$15,000,000 was settled through the current accounts with directors during the year ended March 31, 2017.

## APPENDIX I

## ACCOUNTANT’S REPORT

### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. General information, reorganization and basis of presentation

##### 1.1 General information

The Company was incorporated in the Cayman Islands on March 24, 2017 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of interior fit-out solutions (the “[REDACTED] Business”) in Hong Kong. The ultimate holding company of the Company is Madison Square International Investment Limited (“Madison Square”). The ultimate controlling party of the Group is Mr. Wong Sai Chuen (“Mr. Wong”).

##### 1.2 Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the [REDACTED] Business was primarily operated by Sanbase Interior during the Track Record Period while certain related business activities were carried out under Karich Asia Pacific Co., Limited (the “Included Business”), a company incorporated in Hong Kong and wholly owned by Mr. Wong (the “Controlling Shareholder”), for the year ended March 31, 2016. Sanbase Interior assumed all these activities from Karich Asia Pacific Co., Limited with effect from April 1, 2016. Sanbase Interior and Karich Asia Pacific Co., Limited were controlled by Mr. Wong throughout the Track Record Period.

The Group underwent a group reorganization (the “Reorganization”), pursuant to which the [REDACTED] Business was transferred to the Company. The Reorganization involved the followings:

- (i) On March 23, 2017, 1017 Company Limited was incorporated in the British Virgin Islands (the “BVI”) and 10,000 ordinary shares were issued and allotted to the Company on March 24, 2017.
- (ii) On March 24, 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. On the same day, one ordinary share was transferred from the initial subscriber to Madison Square, a company wholly owned by Mr. Wong. In addition, 37,499 and 12,500 ordinary shares were issued and allotted to Madison Square and J&J Partner Investment Group Limited, which is a company wholly owned by Mr. Wong Kin Kei, a director of the Company, respectively on the same day.
- (iii) On May 22, 2017, 1017 Company Limited acquired the total issued share capital of Sanbase Interior from its then shareholders for an aggregate consideration of HK\$10,000, since then Sanbase Interior has become a wholly owned subsidiary of the Group.

## APPENDIX I

## ACCOUNTANT’S REPORT

Upon completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation and kind of legal entity	Date of incorporation	Issued and fully paid share capital	Equity interest held as at March 31,		As at the date of this report	Principal activities and place of operation	Note
				2016	2017			
Directly held: 1017 Company Limited	BVI, limited liability company	March 23, 2017	US\$10,000	N/A	100%	100%	Investment holding	
Indirectly held: Sanbase Interior	Hong Kong, limited liability company	May 7, 2009	HK\$10,000	N/A	N/A	100%	Interior fit-out solutions provider	(i)

All companies comprising the Group have adopted March 31 as their financial year end date.

- (i) The statutory financial statements of Sanbase Interior for the years ended March 31, 2016 and 2017 were audited by PricewaterhouseCoopers.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganization, the [REDACTED] Business is controlled by the Controlling Shareholder. The [REDACTED] Business is conducted through Sanbase Interior, which is a 75% indirectly owned subsidiary of the Controlling Shareholder. Pursuant to the Reorganization, the [REDACTED] Business is transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business under the Controlling Shareholder and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Sanbase Interior, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [REDACTED] Business under the financial statements of Sanbase Interior for all periods presented and the Included Business for the year ended March 31, 2016.

The cost of sales and administrative expenses relating to the business activities of the [REDACTED] Business through Karich Asia Pacific Co., Limited, which has not been included in the Reorganization and has been excluded from the Group, have been specifically identified and reflected in this Historical Financial Information.

Inter-company transactions and balances between group companies are eliminated on combination.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## APPENDIX I

## ACCOUNTANT’S REPORT

### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning April 1, 2016 are consistently applied to the Group for the Track Record Period.

The following new standards and amendments to standards have been issued but are not yet effective for the financial year beginning April 1, 2016. They are relevant to the Group but have not been early adopted.

		Effective for accounting periods beginning on or after	
HKAS 7 (Amendment)	Statement of cash flows	January 1, 2017	
HKAS 12 (Amendment)	Income taxes	January 1, 2017	
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	January 1, 2018	
HKFRS 9	Financial instruments	January 1, 2018	Note (i)
HKFRS 15	Revenue from contracts with customers	January 1, 2018	Note (ii)
HKFRS 16	Leases	January 1, 2019	Note (iii)

*Notes:*

- (i) HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in FVOCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognized in FVOCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent recycling of the amounts in FVOCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

## APPENDIX I

## ACCOUNTANT’S REPORT

As at March 31, 2017, all of the Group’s financial assets and financial liabilities were carried at amortized cost, which would likely continue to be measured on the same basis under HKFRS 9.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (“ECL”) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-1 loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group considers that there will be no material adverse change in the credit risks in respect of the Group’s future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position.

- (ii) HKFRS 15 “Revenue from contracts with customers” — This new standard replaces the previous revenue standards: HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach:

(1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The major revenue stream for the Group is provision of interior fit-out solutions. Under the preliminary assessment, the revenue would be recognized under input methods based the Company’s costs incurred to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation which is in accordance with Note 2.18.

The Group is performing a preliminary assessment of the potential impact of the application of HKFRS 15 that would not result in any significant impacts on the Group’s financial position and management is performing a more detailed assessment on the impact.

- (iii) HKFRS 16 “Leases” — The Group is a lessee of its office buildings which are currently classified as operating leases. The Group’s current accounting policy for such leases is set out in Note 2.19. The Group’s future operating lease commitments as at March 31, 2016 and 2017 of approximately HK\$629,000 and HK\$1,208,000, respectively, which are not reflected in the combined statements of financial position, are set out in Note 20. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases

## APPENDIX I

## ACCOUNTANT’S REPORT

outside the statements of financial position. Instead, all long-term leases must be recognized in the statements of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which would carry initially at the discounted present value of the future operating lease commitments currently disclosed in Note 20. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statements of financial position. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending March 31, 2020.

Other than those analyzed above, management does not anticipate any significant impact on the Group’s financial positions and results of operations upon adopting the above other amendments to existing standards.

### 2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combinations

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## APPENDIX I

## ACCOUNTANT’S REPORT

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the combined profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

### 2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information is presented in Hong Kong dollars (“HK\$”) which is the Company’s functional and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in combined profit or loss.

## APPENDIX I

## ACCOUNTANT’S REPORT

### (c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- (ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognized in other comprehensive income.

### 2.5 Plant and equipment

Plant and equipment, namely furniture and equipment, are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets’ carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to combined profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives of 4 years.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.6).

### 2.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.7 Financial assets

#### (a) Classification

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

## APPENDIX I

## ACCOUNTANT’S REPORT

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise “trade and retention receivables”, “amount due from a related company”, “amounts due from shareholders”, “amounts due from directors”, “deposits and other receivables” and “cash and cash equivalents” in the combined statements of financial position.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using effective interest rate.

### 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognized in combined profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

## APPENDIX I

## ACCOUNTANT’S REPORT

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in combined profit or loss.

### 2.10 Trade and other receivables

Trade receivables are amounts due from customers for service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

### 2.11 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

### 2.12 Combined capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.14 Current and deferred income tax

Tax is recognized in combined profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## APPENDIX I

## ACCOUNTANT’S REPORT

### (b) Deferred income tax

#### Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

#### Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.15 Employee benefits

### (a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting dates.

Employee entitlements to sick leave and maternity or paternity leaves are not recognized until the time of leave.

### (b) Pension obligations

The Group participates in a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays contributions, on a mandatory, contractual or voluntary basis, into a separate entity. The scheme is generally funded through payments to insurance companies or state/trustee-administered funds. The Group has no further payment obligations

## APPENDIX I

## ACCOUNTANT’S REPORT

once the contributions have been paid. It has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognized as employment costs when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Provision for bonus plans

Bonus payments to employees are discretionary to management. Bonus payments are recognized in profit or loss in the period when the Group has formally announced the bonus payments to employees.

### 2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### 2.17 Construction contracts

A construction contract is defined by HKAS 11, “Construction contracts”, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the percentage of completion method to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

## APPENDIX I

## ACCOUNTANT’S REPORT

On the combined statements of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

### 2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the provision of interior fit-out solutions, stated net of discounts. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

Revenue from provision of interior fit-out management and solutions is recognized based on the stage of completion of the contracts as detailed in Note 2.17 except for the revenue from churn work and maintenance where the revenue was recognized when service were rendered, provided that the stage of contract completion and the contract costs of the contracting work can be measured reliably.

### 2.19 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined profit or loss on a straight-line basis over the period of the lease.

### 2.20 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by the entity’s shareholders or directors, where appropriate.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risk: credit risk and liquidity risk. Most of the income and expenditures of the Group are denominated in HK\$, and the directors considered that the Group does not have material foreign exchange exposure. The Group’s overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

#### (a) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, other receivables and deposits, amounts due from shareholders, directors, and a related company. The Group’s maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group’s cash and cash equivalents were deposited with high quality financial institutions. Therefore, the directors do not expect any losses arising from non-performance by these counterparties.

## APPENDIX I

## ACCOUNTANT’S REPORT

The credit quality of debtors is assessed based on their financial positions, past payment history and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group’s historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

### (b) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents.

The table below analyzes the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the combined statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
On demand or less than 1 year		
Trade payables . . . . .	44,752	47,546
Accruals and other payables . . . . .	4,258	5,332
Amounts due to directors (Note 22(c)) . . . . .	-	12,806
	<u>49,010</u>	<u>65,684</u>

### 3.2 Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 3.3 Fair value estimation

The carrying amounts of the Group’s financial assets and liabilities, including cash and cash equivalents, trade and retention receivables, other receivables and deposits, amounts due from shareholders, directors and a related company, trade and other payables and amounts due to directors approximated their fair values, due to their short-term maturities.

## 4 Critical accounting estimates and Judgments

Estimates and Judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## APPENDIX I

## ACCOUNTANT’S REPORT

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognized in each year.

(b) Impairment of financial assets

The Group’s management determines the provision for impairment of financial assets based on an assessment of the recoverability of the financial assets. The amount is based on the credit history of its customers and other debtors and the current market condition, and requires the use of Judgments and estimates. Management reassesses the provision at each reporting date.

### 5 Revenue and segment information

	<b>Year ended March 31,</b>	
	<b>2016</b>	<b>2017</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Bare shell fit-out .....	211,142	215,822
Restacking .....	5,664	26,505
Reinstatement .....	3,938	22,270
Maintenance .....	1,592	1,781
Churn work .....	8,788	14,292
	<u>231,124</u>	<u>280,670</u>

The executive directors have been identified as the CODM of the Group who review the Group’s internal reporting in order to assess performance and allocate resources. The Group focuses on provision of interior fit-out solutions in Hong Kong during the Track Record Period. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating and geographical segment information is presented.

The Group’s revenue during the Track Record Period mainly represents revenue from the provision of interior fit-out solutions.

Revenue of approximately HK\$68,852,000 and HK\$65,372,000 are generated from 2 major customers and 1 major customer, each of which accounts for 10% or more of the Group’s revenue, for each of the years ended March 31, 2016 and 2017, respectively.

## APPENDIX I

## ACCOUNTANT’S REPORT

### 6 Expenses by nature

Expenses included in cost of sales and administrative expenses are analyzed as follows:

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Subcontracting charges .....	183,444	221,889
Employee benefit expense (Note 7) .....	13,495	17,019
Cleaning expenses .....	3,312	4,477
Provision for doubtful debts (Note 14) .....	1,505	106
Insurance expenses .....	1,711	2,178
Security expenses .....	872	1,227
Operating lease payments .....	682	717
Auditor’s remuneration .....	300	350
Depreciation charge (Note 12) .....	31	37
Legal and professional fees .....	65	141
Other expenses .....	3,427	3,631
Total cost of sales and administrative expenses .....	<u>208,844</u>	<u>251,772</u>
Representing:		
Cost of sales .....	201,415	244,687
Administrative expenses .....	7,429	7,085
	<u>208,844</u>	<u>251,772</u>

### 7 Employee benefit expense (including directors’ emoluments)

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Salaries and allowances .....	13,181	16,660
Pension costs – defined contribution plans .....	314	359
	<u>13,495</u>	<u>17,019</u>

The Group maintains one defined contribution pension scheme for its employees in Hong Kong under the Mandatory Provident Fund (“MPF Scheme”). The assets of this scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employee’s relevant income, as defined in the Hong Kong Mandatory Provident Fund Scheme Ordinance. Both the Group’s and the employee’s contributions are subject to a cap of HK\$1,500 per month. The contributions are fully and immediately vested for the employees.

## APPENDIX I

## ACCOUNTANT’S REPORT

### 8 Benefits and interests of directors and five highest paid individuals

#### (a) Directors’ emoluments

The emoluments of each director and chief executive of the Company were set out below:

For the year ended March 31, 2016:

<u>Name</u>	<u>Fee</u>	<u>Salaries</u>	<u>Discretionary bonus</u>	<u>Employer’s contribution to pension scheme</u>	<u>Total</u>
	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>
Executive directors					
Wong Sai Chuen .....	-	378	415	14	807
Wong Kin Kei .....	-	768	375	18	1,161
Hui Man Yee, Maggie .....	-	420	286	18	724
	-	1,566	1,076	50	2,692

For the year ended March 31, 2017:

<u>Name</u>	<u>Fee</u>	<u>Salaries</u>	<u>Discretionary bonus</u>	<u>Employer’s contribution to pension scheme</u>	<u>Total</u>
	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>	<u>HK\$’000</u>
Executive directors					
Wong Sai Chuen .....	-	520	1,797	18	2,335
Wong Kin Kei .....	-	768	1,057	18	1,843
Hui Man Yee, Maggie .....	-	455	1,237	18	1,710
	-	1,743	4,091	54	5,888

During Track Record Period, Ms. Hui Man Yee, Maggie was employed in a capacity equivalent to that of a director. Subsequent to March 31, 2017, Ms. Hui Man Yee, Maggie was appointed as the executive director on [date].

[The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the subsidiaries and no directors waived any emolument during each of the years ended March 31, 2016 and 2017.]

No director fees were paid to these directors in their capacity as directors of the Company or the Subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during each of the years ended March 31, 2016 and 2017.

Mr. Fan Chun Wah, Mr. Wu Kam On and Mr. Pang Chung Fai were appointed as the Company’s independent non-executive directors on [date]. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

#### (b) Director’s retirement benefits and termination benefits

Save as disclosed in Note 8(a), the directors did not receive any other retirement benefits or termination benefits during the Track Record Period.

## APPENDIX I

## ACCOUNTANT’S REPORT

- (c) Consideration provided to third parties for making available director’s services

During the Track Record Period, the Company does not pay consideration to any third parties for making available directors’ services.

- (d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

Save as disclosed in Note 22(c), as at March 31, 2016 and 2017, there are no loans, quasi-loans and other dealings arrangement in favor of directors, controlled bodies corporate by and controlled entities with such directors.

- (e) Directors’ material interest in transactions, arrangements or contracts

Save as disclosed in Note 22(a), no significant transactions, arrangements and contracts in relation to the Group’s business in which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly subsisted at the end of the Track Record Period or at any time during the Track Record Period.

- (f) Five highest paid individuals

For the Track Record Period, the five individuals whose emoluments were the highest in the Group include 3 directors whose emoluments were reflected in the analysis presented in (a) above. The emoluments paid to the remaining 2 individuals are as follows:

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Salaries, bonus, other allowances and benefits in kind . . . . .	6,196	7,672
Retirement benefit costs		
- MPF Scheme . . . . .	86	90
	<u>6,282</u>	<u>7,762</u>

The emoluments fell within the following bands:

	Year ended March 31,	
	2016	2017
Nil - HK\$1,000,000 . . . . .	2	1
HK\$1,000,001 - HK\$2,000,000 . . . . .	2	3
HK\$2,000,001 - HK\$3,000,000 . . . . .	<u>1</u>	<u>1</u>

### 9 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the Track Record Period.

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Current tax:		
- Hong Kong profits tax . . . . .	3,676	4,768
- Under-provision for prior years . . . . .	-	30
Income tax expense . . . . .	<u>3,676</u>	<u>4,798</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

The tax on the Group’s profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Profit before income tax .....	22,280	28,898
Tax calculated at the Hong Kong profits tax rate of 16.5% .....	3,676	4,768
Under-provision in prior years .....	-	30
Income tax expense .....	3,676	4,798

### 10 Dividends

No dividend has been paid or declared by the Company since its incorporation on March 24, 2017.

Dividends during the Track Record Period represented dividends declared by Sanbase Interior now comprising the Group to the then owners of Sanbase Interior for the Track Record Period. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

### 11 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganization and the preparation of the results for the Track Record Period on a combined basis as disclosed in Note 1.3 above.

### 12 Plant and equipment

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Furniture and equipment		
At beginning of the year		
Cost .....	119	188
Accumulated depreciation .....	(74)	(105)
Net book amount .....	45	83
Year ended March 31		
Opening net book amount .....	45	83
Additions .....	69	57
Depreciation charge (Note 6) .....	(31)	(37)
Closing net book amount .....	83	103
At end of the year		
Cost .....	188	245
Accumulated depreciation .....	(105)	(142)
Net book amount .....	83	103

Depreciation expenses of approximately HK\$31,000 and HK\$37,000 have been charged to “administrative expenses” for each of the years ended March 31, 2016 and 2017, respectively.

## APPENDIX I

## ACCOUNTANT’S REPORT

### 13 Financial instruments by category

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Assets as per combined statements of financial position		
Loans and receivables:		
- Trade and retention receivables (Note 14) . . . . .	50,522	69,940
- Amount due from a related company (Note 22(c)) . . . . .	877	-
- Amounts due from directors (Note 22(c)) . . . . .	2,219	-
- Amounts due from shareholders (Note 22(c)) . . . . .	-	390
- Deposits and other receivables (Note 16) . . . . .	3,804	3,387
- Cash and cash equivalents (Note 17) . . . . .	17,470	19,809
Total . . . . .	<u>74,892</u>	<u>93,526</u>
	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Liabilities as per combined statements of financial position		
Other financial liabilities at amortized cost:		
- Trade payables (Note 18) . . . . .	44,752	47,546
- Accruals and other payables (Note 18) . . . . .	4,258	5,332
- Amounts due to directors (Note 22(c)) . . . . .	-	12,806
Total . . . . .	<u>49,010</u>	<u>65,684</u>

### 14 Trade and retention receivables

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Trade receivables . . . . .	43,876	55,920
Less: Provision for doubtful debts . . . . .	(1,505)	(1,583)
Trade receivables – net . . . . .	<u>42,371</u>	<u>54,337</u>
Retention receivables . . . . .	8,151	15,631
Less: Provision for doubtful debts . . . . .	-	(28)
Retention receivables – net . . . . .	<u>8,151</u>	<u>15,603</u>
Trade and retention receivables – net . . . . .	<u>50,522</u>	<u>69,940</u>

The maximum exposure to credit risk as at March 31, 2016 and 2017 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade and retention receivables approximated their fair values.

The trade and retention receivables were denominated in HK\$.

The credit terms granted to its customers were generally 30 days from the invoice date except for the amount relating to retention money which is payable after 1 year from the date of completion of

## APPENDIX I

## ACCOUNTANT’S REPORT

the interior renovation works. As at March 31, 2016 and 2017, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Within 30 days .....	31,148	41,588
31 to 60 days .....	4,331	3,630
61 to 90 days .....	966	5,984
91 to 180 days .....	3,623	1,239
Over 180 days .....	3,808	3,479
	<u>43,876</u>	<u>55,920</u>

As at March 31, 2016 and 2017, the ageing analysis of the retention receivables based on the invoice date and contract are as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
To be invoiced/within 30 days .....	7,971	14,385
31 to 60 days .....	-	-
61 to 90 days .....	94	-
91 to 180 days .....	58	410
Over 180 days .....	28	836
	<u>8,151</u>	<u>15,631</u>

As at March 31, 2016 and 2017, trade and retention receivables of approximately HK\$11,403,000 and HK\$13,967,000, respectively, were past due but not impaired. These balances relate to independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade and retention receivables is as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Within 30 days .....	4,331	3,630
31 to 60 days .....	1,060	5,984
61 to 90 days .....	2,843	911
Over 90 days .....	3,169	3,442
	<u>11,403</u>	<u>13,967</u>

As at March 31, 2016 and 2017, trade and retention receivables of approximately HK\$1,505,000 and HK\$1,611,000, respectively, were impaired. The individual impaired receivables are mainly related to customers which are in unexpectedly difficult economic situations or no longer have business relationship with the Group. The amount of provision was approximately HK\$1,505,000 and HK\$1,611,000, respectively, as of March 31, 2016 and 2017. The impairment was firstly assessed individually for significant or long ageing balances, and the remaining balances were grouped for collective assessment according to their ageing and historical default rates as these

## APPENDIX I

## ACCOUNTANT’S REPORT

customers were of similar credit risk. The ageing of these impaired trade and retention receivables is as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Over 90 days .....	<u>1,505</u>	<u>1,611</u>

Movements on the Group’s provision for doubtful debts of trade and retention receivables are as follows:

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
At beginning of the year .....	-	1,505
Provision for doubtful debts (Note 6) .....	<u>1,505</u>	<u>106</u>
At end of the year .....	<u>1,505</u>	<u>1,611</u>

As at March 31, 2016 and 2017, a provision of doubtful debts of approximately HK\$1,505,000 and HK\$106,000 on trade and retention receivables which have been overdue for more than 60 days was made after considering the collectability and overdue ageing analysis of the trade and retention receivables. The provision for doubtful debts has been included in “administrative expenses” in the combined profit or loss (Note 6).

### 15 Amounts due from/(to) customers for contract work

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Amounts due from customers for contract work		
Contract costs incurred plus recognized profits less recognized loss .....	15,399	10,734
Less: Progress billing received and receivable .....	<u>(3,806)</u>	<u>(714)</u>
	<u>11,593</u>	<u>10,020</u>
Amounts due to customers for contract work		
Progress billings received and receivables .....	1,694	25,250
Contract costs incurred plus attributable profits less recognized loss .....	<u>(1,151)</u>	<u>(22,600)</u>
	<u>543</u>	<u>2,650</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

### 16 Deposits, other receivables and prepayments

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Deposits .....	3,677	3,287
Other receivables .....	127	100
Financial assets (Note 13) .....	3,804	3,387
Prepayments .....	147	49
Total .....	<u>3,951</u>	<u>3,436</u>

As at March 31, 2016 and 2017, deposits of approximately HK\$3,207,000 and HK\$2,200,000 were in relation to the guarantees of surety bonds in respect of 5 and 1 construction contracts of the Group in its ordinary course of business, respectively (Note 21).

The carrying amounts of the Group’s deposits, other receivables and prepayments approximated their fair values.

The deposits, other receivables and prepayments were denominated in HK\$.

### 17 Cash and cash equivalents

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Cash at bank and on hand		
- Cash at bank at call .....	17,454	19,663
- Cash on hand .....	16	146
Cash and cash equivalents .....	<u>17,470</u>	<u>19,809</u>
Maximum exposure to credit risk .....	<u>17,454</u>	<u>19,663</u>

The carrying amounts of cash and cash equivalents were denominated in HK\$.

### 18 Trade and other payables

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Trade payables .....	44,752	47,546
Accrued salaries payables .....	2,706	3,830
Other accruals and payables .....	1,552	1,502
Accruals and other payables .....	4,258	5,332
	<u>49,010</u>	<u>52,878</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

As at March 31, 2016 and 2017, the ageing analysis of the trade payables based on invoice date is as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
Within 30 days .....	27,948	8,763
31 to 60 days .....	2,689	7,482
61 to 90 days .....	3,603	7,295
91 to 180 days .....	6,672	13,159
Over 180 days .....	3,840	10,847
	<u>44,752</u>	<u>47,546</u>

As at March 31, 2016 and 2017, the carrying amounts of trade and other payables approximated their fair values and were denominated in HK\$.

### 19 Combined Capital/Share Capital of the Company

#### (a) Combined Capital

As mentioned in Note 1.3 above, the Historical Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended March 31, 2016 and 2017 or since the respective dates of incorporation of the combining companies whichever is the shorter period. Combined capital and retained earnings during the Track Record Period represents the combined share capital and equities of the companies comprising the Group after elimination of inter-company transactions and balances. The movement in combined capital and retained earnings during the Track Record Period are set out in combined statements of changes in equity.

#### (b) Share Capital of the Company

	Number of shares	Nominal value HK\$’000
Authorised - ordinary shares of US\$1 each .....	<u>50,000</u>	<u>390</u>
Issued and fully paid - ordinary shares of US\$1 each as at March 24, 2017 (Date of incorporation) .....	-	-
Issuance of shares .....	<u>50,000</u>	<u>390</u>
As at March 31, 2017 .....	<u>50,000</u>	<u>390</u>

### 20 Commitments

#### Operating commitments – as lessee

The Group leases an office and equipment which are non-cancellable with lease terms ranged from 1 and 5 years. The lease expenses charged to the combined profit or loss during the Track Record Period are disclosed in Note 6.

## APPENDIX I

## ACCOUNTANT’S REPORT

The future aggregate minimum lease rental expenses in respect of an office and equipment under non-cancellable operating leases are as follows:

	As at March 31,	
	2016	2017
	HK\$’000	HK\$’000
No later than 1 year .....	411	699
Later than 1 year and no later than 5 years .....	218	509
	<u>629</u>	<u>1,208</u>

### 21 Contingent liabilities

The Group had the following contingent liabilities not provided for in the Historical Financial Information:

	2016	2017
	HK\$’000	HK\$’000
Surety bonds .....	<u>3,207</u>	<u>2,200</u>

As at March 31, 2016 and 2017, the Group provided guarantees of surety bonds in respect of 5 and 1 construction contracts of the Company in its ordinary course of business. Deposits of approximately HK\$3,207,000 and HK\$2,200,000 has been included in “deposits, other receivables and prepayments” in the Historical Financial Information (Note 16). The surety bonds are expected to be released in accordance with the terms of the respective construction contracts.

### 22 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The following transactions were carried out with a related party:

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the following transactions were carried out with a related party at terms mutually agreed by both parties:

	Year ended March 31,	
	2016	2017
	HK\$’000	HK\$’000
Purchase of services:		
Fees of drawings, graphic design and purchase of sample materials		
paid to a related company .....	<u>594</u>	<u>-</u>

The related company is the company owned by a director of the Company. The purchase of services from a related company has been included in “subcontracting charges” in Note 6.

## APPENDIX I

## ACCOUNTANT’S REPORT

### (b) Key management compensation

Key management includes executive of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended March 31,	
	2016	2017
	HK\$'000	HK\$'000
Salaries, bonus and other allowances .....	2,642	5,834
Retirement benefit costs		
- Mandatory Provident Fund Scheme .....	50	54
	<u>2,692</u>	<u>5,888</u>

### (c) Year-end balances

The Group has the following balances with the related parties which are non-trade nature:

	As at March 31,	
	2016	2017
	HK\$'000	HK\$'000
The Group and the Company		
Amounts due from shareholders		
- J&J Partner Investment Group Limited .....	-	97
- Madison Square .....	-	293
	<u>-</u>	<u>390</u>
The Group		
Amounts due from/(to) directors:		
- Mr. Wong Kin Kei .....	25	(3,750)
- Mr. Wong .....	2,194	(9,056)
	<u>2,219</u>	<u>(12,806)</u>
The Group		
Amount due from a related company		
- Other company controlled by the directors of the Company .....	877	-
	<u>877</u>	<u>-</u>
The Company		
Amount due to a subsidiary .....	-	78
	<u>-</u>	<u>78</u>

The maximum outstanding balances due from the related parties during the Track Record Period were as follows:

	Year ended March 31,	
	2016	2017
	HK\$'000	HK\$'000
- J&J Partner Investment Group Limited .....	-	97
- Madison Square .....	-	293
- Mr. Wong Kin Kei .....	25	25
- Mr. Wong .....	2,194	2,194
- Other company controlled by the directors of the Company .....	877	942
	<u>877</u>	<u>942</u>

## APPENDIX I

## ACCOUNTANT’S REPORT

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The above balances with related parties and amount due to a subsidiary were unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximated their fair values and were denominated in HK\$ except for the amount due from J&J Partner Investment Group Limited and Madison Square which were denominated in United States dollar (“US\$”).

The balances due from and due to the Group as at March 31, 2017 are expected to be fully settled before [REDACTED] of the Company’s shares on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

### 23 Subsequent events

Save as disclosed in the report, on May 22, 2017, the Group completed the Reorganization (Note 1.2).

### III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial information have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2017 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2017.

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set forth in this appendix does not form part of the Accountant’s Report received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this document for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the Accountant’s Report set out in Appendix I to this document.*

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of the unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the [REDACTED] and the [REDACTED] on the net tangible assets of the Group attributable to the owners of the Company as at March 31, 2017 as if the [REDACTED] and the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] and the [REDACTED] been completed as at March 31, 2017 or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2017	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted net tangible assets per Share
	(note 1) HK\$’000	(note 2) HK\$’000	HK\$’000	(note 3) HK\$
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at March 31, 2017 is extracted from Accountant’s Report set out in Appendix I to this document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the minimum and maximum [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, after deduction of the estimated [REDACTED] fees and other related expenses payable by the Company, and takes no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate.
- (3) The unaudited pro forma net tangible assets per Share is determined at after the adjustments referred to in the preceding paragraphs and on the basis that 200,000,000 Shares were in issue assuming that the [REDACTED] and the [REDACTED] have been completed on March 31, 2017 but takes no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2017.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

### Summary of the Constitution of our Company and the 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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 24, 2017 under the Companies Law. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the *Memorandum*) and its Amended and Restated Articles of Association (the *Articles*).

#### 1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

#### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●]. A summary of certain provisions of the Articles is set out below.

##### 2.1 Shares

###### (a) Classes of shares

The share capital of the Company consists of ordinary shares.

###### (b) 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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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.

**(c) Alteration of capital**

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

**(d) Transfer of shares**

Subject to the Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(e) Power of the Company to purchase its own shares**

The Company may 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 requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

**(f) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(g) Calls on shares and forfeiture of shares**

The Board may, from time to time, make such calls as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment 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 20 per cent per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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than 14 days’ notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, remain liable to pay to the Company all monies which, as 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 payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

### 2.2 Directors

#### (a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

**(b) Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory 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 shall be 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, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(c) Power to dispose of the assets of the Company or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

**(d) 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 uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, 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.

**(e) Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(f) Compensation or payments for loss of office**

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

**(g) Loans and provision of security for loans to Directors**

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) **Disclosure of interest in contracts with the Company or any of its subsidiaries**

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of 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 in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 [REDACTED] or sub-[REDACTED] of the [REDACTED];

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

### 2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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 a second or casting vote.

### 2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

### 2.5 Meetings of member

#### (a) 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 by proxy or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is 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 members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

#### (b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. 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. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized 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 authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

**(c) Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

**(d) Notices of meetings and business to be conducted**

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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shall be called by at least 14 days’ (and not less than 10 clear business days’) notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member’s registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

**(e) 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, and continues to be present until the conclusion of the meeting.

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 authorized 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.

**(f) 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 shall be 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 shall be entitled to exercise the same powers on behalf of a

## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW**

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member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

### **2.6 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors’ report and a copy of the auditors’ report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors’ remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### 2.7 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.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

### 2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### 2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

### 2.10 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:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction 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

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## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW**

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the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

### **2.11 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on March 24, 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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 authorized share capital.

### **3.2 Share capital**

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (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) any manner provided in section 37 of the Companies Law;
- (d) writing-off the preliminary expenses of the company; and

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

### 3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### 3.4 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 authorized 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 member and, for the avoidance of doubt, 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### 3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company’s memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

### 3.6 Protection of minorities and shareholders’ suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company’s memorandum and articles of association.

### 3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### 3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW**

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If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### **3.10 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) no be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from April 12, 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.

### **3.11 Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### **3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of corporate records**

The members of a company have no general right 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 of association.

### **3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the

## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW**

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company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, 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 (2013 Revision) of the Cayman Islands.

### **3.15 Register of Directors and officers**

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

### **3.16 Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to

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## APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN COMPANY LAW

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such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized 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.

### 3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### 3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

### 3.19 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## 4. GENERAL

Harney Westwood & Riegels, the Company’s legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Companies 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. 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.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR GROUP

#### 1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 24, 2017.

We have established a principal place of business in Hong Kong at 16/F. Loon Kee Building, 267-275 Des Voeux Road, Central, Hong Kong and we were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●] 2017. Mr. Wong has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Companies Law and the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Companies Law is set forth in Appendix III.

#### 2. Changes in Share capital of our Company

On the date of incorporation, our authorized share capital was US\$50,000.0 divided into 50,000 Shares of a par value of US\$1.0 each. Please refer to the section headed “History, Development and Reorganization” for details relating to the issue and the transfer of shares in the issued capital of our Company. Save as disclosed in this document, there has been no alteration and no redemption, repurchase or sale of the share capital in our Company since the date of the incorporation of our Company.

Pursuant to the written resolutions of our Shareholders dated [●] 2017, among others things:

- (a) our authorized share capital of our Company was subdivided from 50,000 Shares of US\$1.0 each to [50,000,000] Shares of US\$[0.001] each and the issued share capital of our Company was subdivided from 50,000 Shares of US\$1.0 each to [50,000,000] Shares of US\$[0.001] each. Immediately following the subdivision of Shares, Madison Square and J&J Partner held [37,500,000] Shares and [12,500,000] Shares of US\$0.001, respectively;
- (b) our authorized share capital of our Company increased from [50,000,000] Shares of US\$[0.001] each to [5,000,000,000] Shares of US\$[0.001] each; and
- (c) immediately following the completion of the [REDACTED] Issue and the [REDACTED], our issued share capital will be US\$[REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid and [REDACTED] Shares will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since its incorporation.

#### 3. Written Resolutions of our Shareholders passed on [●] 2017

Written resolutions were passed by our Shareholders on [●] 2017 pursuant to which, among other matters:

On [●], 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this document;

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

- (b) conditional on the Listing Division granting [REDACTED] of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme or the [REDACTED] and on the obligations of the [REDACTED] under the [REDACTED] Agreement becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this document:
  - (i) the [REDACTED] was approved and our Directors were authorized to allot and issue the [REDACTED] pursuant to the [REDACTED] to rank pari passu with the then existing Shares in all respects;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorized, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) the [REDACTED] were approved and our Directors were authorized to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the [REDACTED] to rank pari passu with the then existing Shares in all respects;
  - (iv) the subdivision of the authorized share capital of our Company from 50,000 Shares of US\$1.0 each to [50,000,000] Shares of US\$[0.001] each and the subdivision of the issued share capital of our Company from 50,000 Shares of US\$1.0 each to [50,000,000] Shares of US\$[0.001] each;
  - (v) the increase in authorized share capital of our Company from [50,000,000] Shares of US\$[0.001] each to [5,000,000,000] Shares of US\$[0.001] each;
  - (vi) conditional further on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorized to capitalize an amount of US\$100,000.0 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 100,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company immediately before the completion of the [REDACTED] in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such [REDACTED] and distributions and the [REDACTED] was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the [REDACTED], Shares or securities convertible into Shares or options,

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant [REDACTED], agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (d) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] but excluding any Shares which may be issued under the [REDACTED] or pursuant to the exercise of the options which maybe granted under the Share Option Scheme.

### 4. Group Reorganization

The companies comprising our Group underwent a Reorganization to rationalize our Group’s structure in preparation for the [REDACTED]. For more details regarding the Reorganization, please see the section “History, Development and Reorganization”.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### 5. Changes in share capital of subsidiaries of our Group

The subsidiaries of our Company are listed in the Accountant’s Report set out in Appendix I to this document.

Save as disclosed in the section headed “History, Development and Reorganization” in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document (or since the date of their incorporation for subsidiaries that were incorporated less than two years ago).

### 6. Repurchase of our Shares by our Company

#### (a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary [REDACTED] 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 [REDACTED] 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.

Pursuant to a resolution passed by our then Shareholders on [●], 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal or par value of our Company’s share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

##### (ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and the Articles of Association of our Company, the GEM Listing Rules and the applicable laws 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. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company or out of proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both the profits of our Company or the share premium account of our Company, before or at the time the shares are repurchased, or, if so authorized by the Articles of Association and subject to the Companies Law, out of capital.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

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### *(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 GEM 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 after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive 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 GEM 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 GEM 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 GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), 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 GEM 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.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### *(vii) Connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly selling his shares 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.

### **(c) Funding of repurchases**

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and Articles of Association, the GEM Listing Rules and the applicable laws 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 document) 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 200,000,000 Shares in issue immediately following the completion of the [REDACTED] and [REDACTED] (but without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme), could accordingly result in up to approximately 20,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

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 GEM Listing Rules and the applicable laws in the Cayman Islands.

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

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory [REDACTED] 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 [REDACTED] being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the GEM Listing Rules requirements regarding the [REDACTED] shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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.

### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of material contracts



The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-competition; and
- (c) the [REDACTED] Agreement.

#### 2. Intellectual property rights of our Group

##### (a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong:

Trademark	Class	Applicant	Trademark number	Duration of Validity
	37	Sanbase Interior	302383579	September 19, 2012 to September 18, 2022
	37	Sanbase Interior	302383560	September 19, 2012 to September 18, 2022

As at the Latest Practicable Date, our Group has applied for the registration of the following trademark in Hong Kong which are material to our business:

Trademark	Class	Applicant	Application Number	Application Date (dd/mm/yy)
	37	Our Company	304196890	July 5, 2017

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### (b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain Name	Registered owner	Date of registration	Expiry date
sanbase.com.hk	Sanbase Interior	June 15, 2010	June 15, 2018

Information contained in the above websites does not form part of this document.

## C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

### 1. Disclosure of interests

#### (a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are [REDACTED], will be as follows:

Name of Directors/ chief executive	Capacity/ Nature of Interest	Number of underlying Shares (Note 1)	Percentage of shareholding
Mr. Wong	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Mr. Wong Kin Kei	Interest in a controlled corporation	[REDACTED]	[REDACTED]

*Note:*

- All interests stated are long position.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### *(b) Interests of substantial and other Shareholders in our Shares, underlying Shares and debentures of our Company*

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be taken up under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Capacity/ Nature of Interest	Number of underlying Shares (Note 1)	Percentage of shareholding
Madison Square (Note 2)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong (Note 2)	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. Hui Man Yee, Maggie (Note 3)	Interest of spouse	[REDACTED]	[REDACTED]
J&J Partner (Note 4)	Beneficial owner	[REDACTED]	[REDACTED]
Mr. Wong Kin Kei (Note 4)	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ms. Ho Sin Ying (Note 5)	Interest of spouse	[REDACTED]	[REDACTED]

*Note:*

1. The letter L denotes the entity/ person's long position in the Shares.
2. Shares in which Mr. Wong is interested in consist of [REDACTED] Shares held by Madison Square, a company wholly owned by him, in which Mr. Wong is deemed to be interested under the SFO.
3. Ms. Hui Man Yee, Maggie, the spouse of Mr. Wong, is deemed to be interested in the [REDACTED] Shares held by Mr. Wong, through his controlled corporation, Madison Square, pursuant to the SFO.
4. Shares in which Mr. Wong Kin Kei is interested in consist of [REDACTED] Shares held by J&J Partner, a company wholly owned by him, in which Mr. Wong Kin Kei is deemed to be interested under the SFO.
5. Ms. Ho Sin Ying, the spouse of Mr. Wong Kin Kei, is deemed to be interested in the [REDACTED] Shares held by Mr. Wong Kin Kei, through his controlled corporation, J&J Partner, pursuant to the SFO.

### **2. Particulars of Directors' service contracts**

Each of our executive Directors have signed a service agreement with us for a term of three years commencing from the [REDACTED] (subject to termination in certain circumstances as stipulated in the service agreement). Our executive Directors are entitled to an aggregate directors' remuneration of HK\$7.1 million per annum.

Each of our independent non-executive Directors has signed a letter of appointment with us for a term of three years commencing from the [REDACTED] (subject to termination in certain circumstances as

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

stipulated in the relevant letters of appointment). Each of our independent non-executive Directors is entitled to a directors’ fee of HK\$0.2 million per annum.

### 3. Remuneration of Directors

- (a) The aggregate emoluments paid (including salaries, contribution to pension schemes, allowance) and benefits in kind granted by our Group to the Directors in respect of the two financial years ended March 31, 2016 and 2017 were approximately HK\$2.7 million and HK\$5.9 million, respectively.
- (b) Each of the Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED], which may be terminated by not less than one months’ notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

### 4. Agency fees or commission

Save as disclosed in this document, within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

### 5. Related party transactions

For details of our related party transactions, see Note 22 to the accountant’s report set out in Appendix I to this document.

## D. DISCLAIMERS

Save as disclosed in this document:

- (a) taking no account of any Shares which may be issued under the [REDACTED] or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “Further information about our Group” in this appendix, and taking no account of Shares which may be taken up under the [REDACTED], our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] and the [REDACTED], have an interest or short position in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, 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 member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

referred to therein, or 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, in each case once our Shares are [REDACTED] on the Main Board;

- (c) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, 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 or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective 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 interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

### E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved by the resolutions of our Shareholders passed on [●]:

#### 1. Purpose of the Share Option Scheme

The purpose of this Share Option Scheme is to attract, retain and motivate employees, Directors and such other Participant, and to provide a means of compensating them through the grant of options pursuant to the terms of the Share Option Scheme (“Options”) for their contribution to the growth and profits of our Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of our Group.

#### 2. Conditions and Present Status of the Share Option Scheme

The Share Option Scheme shall take effect conditional upon (i) the Listing Committee of the Stock Exchange granting approval of the Share Option Scheme, and the [REDACTED] of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options; and (ii) the commencement of dealing in the Shares on the Stock Exchange.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

As at the date of this document, no option has been granted or agreed to be granted under the Share Option Scheme. No option is expected to be granted under the Share Option Scheme prior to the [REDACTED].

### 3. Eligible Participants

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time to [REDACTED] to grant to any non-executive Director or independent non-executive Director of our Company appointed or proposed to be appointed prior to the [REDACTED], or any director of any of the subsidiaries, or any employee (whether full time or part time) of our Company or its subsidiaries, including any executive Director (“Participants”) as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price. The basis of eligibility of any of the class of Participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

### 4. [REDACTED] and Grant of Options

No [REDACTED] of grant of Option shall be made after inside information has come to the knowledge of the Company until such inside information has been published in accordance with the Listing Rules. In particular, no option may be granted during the period of one (1) 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 the Company’s results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the 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.

An [REDACTED] of the grant of an Option (“[REDACTED]”) shall be deemed to have been accepted and the Option to which such [REDACTED] relates shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of [REDACTED] duly signed by the Participant (“Grantee”) with the number of Shares in respect of which such [REDACTED] is accepted clearly stated therein, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the [REDACTED].

### 5. Subscription Price

The subscription price (“Subscription Price”) shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the [REDACTED] of the grant of the Option), but in any case the Subscription Price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a Business Day (“[REDACTED]”), (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the date of grant, and (c) the nominal value of a Share.

### 6. Maximum number of Shares and entitlement of an eligible Participant

- (a) The overall limit on the 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 other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 30% of the Shares in issue from time to time.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

- (b) The Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 10,000,000 Shares, (i.e. 10% of the aggregate of the Shares in issue on the [REDACTED] (“Scheme Mandate Limit”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.
- (c) Our Company may seek approval of our Shareholders in general meeting for refreshing the Scheme Mandate Limit. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the approval of our Shareholders. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including Options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme of our Company) will not be counted for the purpose of calculating the limit as “refreshed.”

A circular containing the information required under the Listing Rules shall be sent to our Shareholders in connection with the meeting at which their approval will be sought.

- (d) Our Company may seek separate approval by our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit (as refreshed) provided the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. A circular containing a generic description of the specified Grantees who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options to the Grantees with an explanation as to how the terms of Options serve such purpose and other information required under the Listing Rules shall be sent to our Shareholders.
- (e) The total number of Shares issued and to be issued upon exercise of the Options granted to each eligible Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the Shares in issue (the “Individual Limit”). Any further grant of Options to an eligible Participant which would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to our Shareholders’ approval in general meeting with such eligible Participant and his or her close associates (as defined under the Listing Rules, or his or her associate if the Participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules shall be sent to our Shareholders. The number and terms (including the Subscription Price) of the Options to be granted to such Participant must be fixed before our Shareholders’ approval is sought and the date of the meeting of the Board for proposing such further grant of Option should be taken as the date of grant for the purpose of calculating the Subscription Price.

### 7. Grant of Options to Connected Persons

- (a) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or their respective associates shall be subject to approval by the independent non-executive Directors of our Company (excluding the independent non-executive Director who is the Grantee).

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

- (b) Where our Board proposes to grant any Option to a Participant who is a substantial shareholder (with the meaning as ascribed under the Listing Rules) of our Company or an independent non-executive Director of our Company, or any of their respective associates would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) to him in the 12-month period up to and including the proposed [REDACTED] of such grant (the “Relevant Date”):
- (i) representing in aggregate more than 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue on the Relevant Date; and
  - (ii) having an aggregate value, based on the closing price of our Shares as stated in the Stock Exchange’s daily quotation sheet on the Relevant Date, in excess of HK\$5,000,000 (or such other higher amount as may from time to time be specified by the Stock Exchange),
- such proposed grant of Options must be approved by our Shareholders (voting by way of poll). In such a case, our Company shall send a circular to our Shareholders containing all those terms as required under the Listing Rules. The Participant concerned and all other connected persons of our Company must abstain from voting in favor of the resolution at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

### 8. Exercise of Options

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each Grantee as being the period during which an Option may be exercised and in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme (“Option Period”).

### 9. Vesting

Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules to which the Share Option Scheme may be subject, including the Listing Rules or regulations of any stock exchange on which the Shares may be [REDACTED] and quoted. Furthermore, the Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option under the Share Option Scheme may or may not, at the discretion of the Board, be subject to any retention period.

### 10. Performance Target & Minimum Period before Exercise

Unless otherwise determined by our Board and specified in the [REDACTED] letter to be given to the Participant at the time of the [REDACTED] of the Option, there is no general requirement for any performance target that needs to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

### 11. Options are personal to the Grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

party over or in relation to any Option, except for the transmission of an Option on the death or incapacitation of the Grantee to his personal representative(s) according to the terms of the Share Option Scheme.

### **12. Rights on death, or termination of employment, our Directorship, office or appointment**

- (a) in the event of the Grantee ceasing to be an employee (whether full time or part time) of our Company or its subsidiaries, including any executive Director (“Eligible Employee”), by reason of non-renewal of his or her employment contract upon termination, or retirement, or internal reorganization, or if the Grantee is a Director, the cessation as a Director upon rotation, the Grantee shall be entitled within a period of three (3) months from the date of cessation of employment which shall be the last actual working day with our Company or the relevant subsidiary to exercise any Option in whole or in part (to the extent which has become exercisable but not yet exercised prior to such date of cessation). In the event of the Grantee ceasing to be an Eligible Employee for any reason other than those stated above or his or her death or the termination of his or her employment on one or more of the grounds specified in the Share Option Scheme, the Grantee may exercise the Option in accordance with the provisions of the Share Option Scheme up to his or her entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as the Board may determine; and
- (b) in the event that the Grantee ceases to be a Participant (as the case may be) by reason of death or incapacitation (provided that none of the events which would be a ground for termination of his or her employment arises prior to his or her death or incapacitation), the legal personal representative(s) of this Grantee shall be entitled within a period of twelve (12) months from the date of death or incapacitation (or such longer period as the Board may determine) to exercise the Option in whole or in part (to the extent which has become exercisable and not already exercised prior to such date of death or incapacitation).

### **13. Voluntary winding-up of our Company**

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 her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its Options (to the extent which has become exercisable and not already exercised) at any time not later than three (3) Business Days 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 immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

### **14. Rights on take-over**

In the event of a general or partial [REDACTED], whether by way of take-over [REDACTED], share re-purchase [REDACTED], or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

holders other than the [REDACTED] or and/or any person controlled by the [REDACTED] or and/or any person acting in association or concert with the [REDACTED]), our Company shall use all reasonable endeavors to procure that such [REDACTED] is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by exercise in full of the Options granted to them, shareholders of our Company. If such [REDACTED] becomes or is declared unconditional, a Grantee shall be entitled to exercise his Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in exercise of his Option at any time before the close of such [REDACTED] (or any revised [REDACTED]).

### 15. Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such scheme or arrangement, and thereupon any Grantee (or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its Option so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

### 16. Effects of alterations to capital structure

In the event of any alteration in the capital structure of our Company while any Option remains exercisable, whether by way of [REDACTED] of profits or reserves, rights issue or other similar [REDACTED] of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made in (a) the number or nominal amount of Shares subject to the Option so far as unexercised, and/or (b) the Subscription Price, and/or (c) the method of exercise of the Option, as the auditors or the financial adviser of our Company retained for such purpose shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value and no such [REDACTED] will be required in circumstances where there is an issue of Shares or other securities of our Group as consideration in a transaction.

### 17. Lapse of Options

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 date of the expiry of the periods for exercising the Option;

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

- (c) the date on which the [REDACTED] (or as the case may be, revised [REDACTED]) closes;
- (d) the date of the commencement of the winding-up of our Company;
- (e) the date when the proposed compromise or arrangement becomes effective;
- (f) the date on which the Grantee ceases to be an Eligible Employee by reason of the termination of his or her employment on any one or more of the grounds that he or she voluntarily resigns, or has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to our Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the Grantee’s service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that employment of a Grantee has or has not been terminated shall be conclusive and binding on the Grantee;
- (g) the date on which the Grantee commits a breach or the Options are cancelled in accordance with the Share Option Scheme; or
- (h) if the Board at its absolute discretion determines that the Grantee (other than an Eligible Employee) has committed any breach of any contract entered into between the Grantee on the one part and any member of our Group on the other part or that the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her or its creditors generally, the Board shall determine that the outstanding Options granted to the Grantee (whether exercisable or not) shall lapse. In such event, his or her or its Options will lapse automatically and will not in any event be exercisable on or after the date on which the Board has so determined.

### 18. Ranking of Share allotted upon exercise of Options

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

### 19. Duration of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by resolution of our Shareholders.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### 20. Cancellation of Options granted

Subject to the consent from the relevant Grantee, our Board may at its discretion cancel Options previously granted to and yet to be exercised by a Grantee with the relevant Grantees abstaining from voting.

### 21. Termination of the Share Option Scheme

Our Company may terminate the operation of the Share Option Scheme at any time by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further Option will be [REDACTED] but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

### 22. Alteration of the provisions of the Share Option Scheme

Subject to the provisions of the Share Option Scheme, the Board may amend any of the provisions of the Share Option Scheme (including without limitation to amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

## F. OTHER INFORMATION

### 1. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or administrative proceedings of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

### 2. Preliminary expenses

The preliminary expenses incurred by our Company are approximately HK\$62,000 and have been paid by our Company.

### 3. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. No cash, securities or other benefit had been paid, allotted or given within two years preceding the date of this document, or proposed to be paid, allotted or given, to any promoter in connection with the [REDACTED] or the related transactions described in this document.

### 4. [REDACTED] for [REDACTED] of Shares

The Sole Sponsor has made an [REDACTED] on behalf of our Company to the Stock Exchange for [REDACTED] of, and permission to deal in, the Shares (i) in issue; (ii) to be issued pursuant to the [REDACTED] and the [REDACTED]; and (iii) and any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### 5. Sole Sponsor

The Sole Sponsor is independent of our Company pursuant to Rule 6A.07 of the GEM Listing Rules.

### 6. Sole Sponsor’s fees or commissions received

The total amount of the sponsor’s fees payable to the Sole Sponsor by our Company is HK\$3.5 million.

For further details, please refer to the section headed “[REDACTED] — [REDACTED] arrangements and expenses — Commission and expenses”.

### 7. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name	Qualification
China Everbright Capital Limited	A licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Harney Westwood & Riegels	Legal advisers to our Company as to Cayman Islands law
Crowe Horwath (HK) Consulting & Valuation Limited	Industry consultant

### 8. Consents of experts

Each of China Everbright Capital Limited, PricewaterhouseCoopers, Harney Westwood Riegels and Crowe Horwath (HK) Consulting & Valuation Limited has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date and save as disclosed in this document, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### 9. Estate duty, tax and other indemnity

The Controlling Shareholder have entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent or similar thereof under the laws of any jurisdictions outside Hong Kong) to a member of our Group on or before the [REDACTED]; and
- (b) tax liabilities which might be payable by any member of our Group of any income, profits or gains, earned, accrued or received on or before the [REDACTED].

The Controlling Shareholder is under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited combined accounts of our Company and its subsidiaries as set out in the Accountants’ Report in Appendix I to this document or in the audited accounts of the relevant members of our Group for the two financial years ended March 31, 2017;
- (b) to the extent for which any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the [REDACTED]; and
- (c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in the Cayman Islands coming into force after the [REDACTED] or to the extent such claim arises or is increased by an increase in the rate of taxation after the [REDACTED] with retrospective effect.

### 10. Binding effect

This document shall have the effect, if an [REDACTED] is made in pursuance of it, 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 so far as applicable.

### 11. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by [REDACTED] and a branch register of members of our Company will be maintained by [REDACTED]. Save where 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 branch [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted into [REDACTED].

### 12. 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 Company or its subsidiaries since March 31, 2017 (being the date to which the latest audited financial statements of our Group were made up) and up to the Latest Practicable Date.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### 13. Taxation of holders of Shares

#### (a) Hong Kong

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

#### (b) Cayman Islands

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.

#### (c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

### 14. Miscellaneous

Save as otherwise disclosed in this document:

- (a) within the two years immediately preceding the date of this document, no share or loan capital of our Company or of our principal operating subsidiary has been issued agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) within the two years immediately preceding the date of this document, 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 our Company or any of our principal subsidiaries;
- (c) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (d) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (e) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (f) none of the parties (save in connection with the [REDACTED] Agreements) [REDACTED] in the paragraph headed “Consents of experts” in this appendix:
  - (i) is interested legally or beneficially in any securities of any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (g) no company within our Group is presently [REDACTED] on any stock exchange or traded on any trading system;

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

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- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) our Directors confirm that our Company has no outstanding convertible debt securities or debentures; and
- (j) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

### **15. Bilingual document**

The English language and Chinese language versions of this document 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).

## **APPENDIX V**

## **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were: (i) copies of each of the material contracts referred to in “Statutory and General Information — B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this document; and (ii) the consent letters referred to in “Statutory and General Information — F. Other information — 8. Consent of experts” in Appendix IV to this document.

### **2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) our Memorandum of Association and the Articles of Association;
- (b) the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;
- (c) the report from PricewaterhouseCoopers on our unaudited [REDACTED] financial information, the text of which is set out in Appendix II to this document;
- (d) the audited financial statements of our Group for the two financial years ended March 31, 2016 and 2017;
- (e) the Companies Law;
- (f) the material contracts referred to in “Statutory and General Information — B. Further information about our Business — 1. Summary of material contracts” in Appendix IV to this document;
- (g) the service agreements and letters of appointment referred to in “Statutory and General Information — C. Further information about Directors and Shareholders — 2. Particulars of Directors’ service contracts” in Appendix IV to this document; and
- (h) the written consent referred to in “Statutory and General Information — F. Other information — 8. Consent of experts” in Appendix IV to this document;
- (i) the letter of advice prepared by Harney Westwood & Riegels, our legal advisers as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred in Appendix III to this document;
- (j) the Industry Report; and
- (k) this document.