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OVERVIEW

We are a main contractor capable of (i) interior fitting-out and renovation services; and (ii) A&A works for residential, industrial and commercial properties in Hong Kong. We have been running our business since 2005 and gained extensive experience and reputation in the industry. Ample Construction, our principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance.

Our fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, our scope of works during the Track Record Period was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement.

Ample Design, our design department, provides interior design services to clients planning for fitting-out and renovation and derived a small portion of revenue to our Group during the Track Record Period. The following table summarises our revenue breakdown:

By type of services:

	For the year ended 31 March				For the three months ended 30 June 2016	
	2015		2016			
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fitting-out and renovation services	98,247	73.3	94,644	67.3	19,607	64.8
A&A works (<i>Note</i>)	32,697	24.4	39,130	27.8	8,667	28.7
Interior design services	<u>3,103</u>	<u>2.3</u>	<u>6,945</u>	<u>4.9</u>	<u>1,978</u>	<u>6.5</u>
Total	<u>134,047</u>	<u>100.0</u>	<u>140,719</u>	<u>100.0</u>	<u>30,252</u>	<u>100.0</u>

Note: Revenue of our A&A works during the Track Record Period included two contracts relating to the site formation and construction of small houses in the New Territories which are categorised as A&A works and were commenced in the year ended 31 March 2014 and completed in the year ended 31 March 2016. Revenue recognised for these projects amounted to approximately HK\$11,149,000, HK\$1,450,000 and HK\$nil for the years ended 31 March 2015, 2016 and three months ended 30 June 2016, respectively.

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By type of properties:

	For the year ended 31 March				For the three months ended 30 June	
	2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	24,061	17.9	23,761	16.9	11,984	39.6
Commercial and industrial	109,986	82.1	116,958	83.1	18,268	60.4
Total	<u>134,047</u>	<u>100.0</u>	<u>140,719</u>	<u>100.0</u>	<u>30,252</u>	<u>100.0</u>

We have secured our projects mainly by going through a competitive bidding process, whereby our Group either receives invitations for tender or requests for quotation. Our Directors believe that, among other matters, our quotations, track record and reputation are important factors to be considered by our customers, which primarily are companies setting up new offices or retail stores or altering existing ones and occupants of residential properties.

During the course of providing services, we outsource works to our materials suppliers and subcontractors for better resource allocation, and we act as a main contractor for the coordination of materials, subcontractors, our customers and other relevant parties. We have designated personnel in our project management team for the supervision of our subcontractors to ensure their works meet our quality requirements.

According to the Euromonitor Report, the industry in which our Group operates is fragmented with a large number of players and is highly competitive on price. Nevertheless, as potential barriers to entry for higher value fitting-out, renovation works and A&A works projects are industry reputation and relationship with property developers and main contractors, our Directors consider that our established track record coupled with our [REDACTED] status will strengthen our competitiveness and enhance our reputation and our Directors are optimistic about our business outlook.

COMPETITIVE STRENGTHS

Our Directors believe that the mastery of the following competitive strengths has set our Group apart from our competitors, which also becomes the key to our business growth:

Established reputation and proven track record

We commenced our business in 2005. Since then, we actively undertook fitting-out business. Since 2006, we were registered as the Registered General Building Contractor with the Building Authority which enables us to carry out general building works and street works under the Buildings Ordinance, including A&A works we undertake. The scale of our projects grew larger and our scope of work expanded over the years. We have completed

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around 220 fitting-out, renovation and A&A projects during the Track Record Period and up to the Latest Practicable Date. We have established a reputation in providing quality workmanship and fitting-out solutions to our customers in a cost-efficient and responsive manner. Our Directors believe that our ability to understand clients’ needs, complete projects on time and deliver our works up to the standard will strengthen their confidence in our Group which in turn would refer future business opportunities to us and enhance our reputation in the industry.

We also maintain good relationship with architect firms or project management consultants which are often engaged by our end clients to manage and supervise the fitting-out, renovation or A&A projects and keep short-listed firms of contractors to bid for projects. In doing so, we use our endeavours to carry out our works professionally, such as replying to queries promptly and co-operating with the architect firms or project management consultants in their desired work programme. We believe the accumulation of successful experience with them has gained their trust and thus warrants their subsequent referral of projects to us.

Possession of an experienced management team

Our management team has extensive industry knowledge and project management experience in fitting-out, renovation and A&A works. Ms. Wong, our executive Director and chairman of our Board, has been managing our Group’s administration, business development and operation since 2007. Mr. Lam, our executive Director and chief executive officer, has over 20 years of relevant experience. Our members of the senior management team, namely Mr. Cheung, Mr. Cheung Ho and Mr. Poon Yau Cheung, being our project director, project manager and project manager, respectively, have around 14 to 17 years of industry experience. As at the Latest Practicable Date, the majority of our senior management team has received either tertiary education or above or professional qualifications such as member of the Chartered Institute of Building, Chartered Builder and member of the Hong Kong Institute of Construction Managers. Further details of the qualification and experience of our Directors are set out in the section headed “Directors and Senior Management” of this document. Their qualification and experience facilitate us to estimate project costs precisely, which subsequently allow us to provide a competitive tender price, carry out our project works effectively and efficiently, implement our labour resources timely, deliver our work with high quality and communicate with our clients and subcontractors and suppliers productively. Our Directors believe that the combination of our management and technical teams’ collective expertise and knowledge of the industry, together with our highly qualified employees, have been and will continue to be our Group’s valuable assets.

Versatile contractor capable of fitting-out, renovation and A&A works and interior design

Our Directors believe that, unlike most other fitting-out outfits which only focus on single line fitting-out and renovation business, with our status of Registered General Building Contractor registered with the Building Authority, we stand out by being able to carry out building works and street works under the Buildings Ordinance, including the A&A works that we are permitted to provide as well. The provision of fitting-out and

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renovation services and building works together not only diversifies our income source, but also promotes convenience to our customers. We are capable of providing fitting-out, renovation and A&A works concurrently and thus save our customers’ time as they do not need to engage separate contractors to carry out their work individually. Our Directors are further of the view that synergy can be generated in this way as overall project management cost is reduced and hence a more competitive tender can be offered to our clients. During the Track Record Period, we were engaged by 16 customers which required both fitting-out and renovation/A&A works and revenue recognised from these customers amounted to approximately HK\$101,389,000, HK\$76,593,000 and HK\$8,323,000 for each of the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively.

In addition to the above, we have a dedicated design team which has produced a number of award-winning interior design solutions to our customers. Please refer to the paragraph headed “Awards and accreditation” in this section. We further believe that such awards and recognitions will allow us to develop our corporate brand and promote our fitting-out, renovation and A&A services.

Stable relationship with our suppliers and subcontractors

As a main contractor for fitting-out, renovation and A&A works, we have relied on suppliers and subcontractors to supply materials and achieve cost efficiency and thus maximise our profitability. Therefore, we consider that a stable relationship with our suppliers and subcontractors in our business is a key to continuous success. We have established long-term and good business relationship with our major suppliers and subcontractors. Our five largest suppliers (including subcontractors) (in terms of direct costs) during the Track Record Period have maintained business relationship with us for a period ranging from 1 to 9 years. Through our past dealings with our suppliers and subcontractors, we have acquired sufficient appreciation of their expertise and strengths for maintaining our internal list of approved suppliers (including subcontractors) that are able to meet our quality and safety standards and hence eligible for taking up our projects.

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Participate further in large scale fitting-out, renovation and A&A projects and enlarge our market share in Hong Kong

As our business has been growing over the recent years and our project size is becoming bigger since the founding of our Group, we aim to seek out opportunities in large scale fitting-out, renovation and A&A projects in Hong Kong. Our Directors believe that we are well positioned to undertake projects involving fitting-out and renovation and/or A&A elements, as we are a Registered General Building Contractor and have a track record for carrying out fitting-out and renovation works for large corporate clients. Considering that (i) projects of larger scale often set higher criteria, select contractors with better financial strength and impose more conditions; and (ii) it is a common requirement for the contractor to take out surety bonds amounting to a certain percentage of the contract sum, our Directors believe these requirements effectively eliminate contractors with less financial resources, improve our chance of being awarded the project and enable us to set a higher project profit margin. Therefore, we intend to build a stronger financial position by utilising

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the [REDACTED] arising from the [REDACTED] and exploring lines of credit from banks such that we are able to satisfy the amount of bank deposits necessary for the issuance of surety bonds as required by our clients.

In our attempt to further diversify income source, we intend to apply for registration to be included in the “Group M1” of the List of Building Contractors administered by the Housing Authority under the category of “Building (Maintenance)” which will enable us to tender for maintenance and improvement contracts of the Housing Authority, which we believe our experience in A&A works is relevant. Our Directors, after preliminary internal assessment with reference to guidelines published by the Housing Authority, consider that our Group would be eligible to be included in the “Group M1” of the List of Building Contractors.

Having said the above, we intend to maintain our existing project pipeline of smaller scale fitting-out, renovation and A&A projects so as to achieve enlarged market share. Thus, we will also need to recruit more experienced staff to enhance our capacity. Please refer to the paragraph headed “Expand our manpower for project execution and strengthen the skills of our staff” below.

Uplift our efforts in developing and promoting our interior design and fitting-out business

During the Track Record Period, a majority of the business of our design department rested on offering interior design services, where fitting-out and renovation works were not rendered by our Group but by other fitting-out contractor.

According to the Euromonitor Report, the Hong Kong’s population has been growing at a CAGR of 0.9% while number of domestic households growing at a CAGR of 1.2% during 2011 to 2015. The growth in domestic households has been faster than overall population growth bodes well for the residential fitting-out works and renovation industry. Our Directors further note the statistics from the Transport and Housing Bureau in July 2016 that some 93,000 units in the private primary housing market will be available in the coming three to four years. As such, our Directors consider that the private residential sector represents attractive growth driver and further efforts should be taken to capture the market opportunities. With reference to our maturing design department which has won a number of relevant awards, our Group will put in extra resources, including advertising, promotion and labour, in developing our business in residential, commercial and industrial markets, with primary focus on one-stop interior design and fitting-out services for luxury units which are more likely to have high consumption power and look for deluxe interior design and fitting-out works.

For our targeted residential interior design and fitting-out business, we plan to participate in more interior design competitions and relevant public exhibitions as an exhibitor. In addition, we intend to build a mock up unit for showcasing our original interior design idea, thoughtful choice of materials and furniture, and quality fitting-out workmanship. Our Directors expect our comprehensive business development efforts will enhance our corporate image which in turn will help bring in new business to our Group.

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Expand our manpower for project execution and strengthen the skills of our staff

In anticipating our business growth, we plan to expand our workforce by hiring more professional and skilled staff. We will primarily focus on recruiting seasoned project management professionals who are able to supervise and manage fitting-out, renovation and A&A projects to reinforce our existing project team. Project directors, project or contract managers and site agents are our priority choice as our Directors expect they have the necessary experience and skills to manage new projects individually and certain roles are required for the application for registration to be included in the “Group M1” of the List of Building Contractors administered by the Housing Authority. Please refer to the paragraph headed “Operating procedures” in this section for the roles and responsibilities of our project directors and project managers. By expanding our project team, our Directors believe that our capacity is enlarged and set for undertaking a greater number of projects. We also intend to provide more training, both on-the-job and taught, to our staff relating to interior fitting-out and renovation, construction methodology, project management, healthy and safety and other decorative and operational skills so as to improve their morale, safety awareness, standard and quality of services. We will identify suitable training courses or education programme provided by approved institutions or organise regular trainings or seminars by ourselves.

Strengthen our organisation structure and enhance our marketing resources

We have mainly relied on referral for our contracting and interior design business. We plan to set up a new department dedicated to business development. Such department is expected to consist of experienced personnel with solid background in business development of the industry. They will actively approach potential customers and build new network with architect firms or project management consultants with an aim to promoting our Group and opening previously untapped business.

Moreover, we plan to maintain a quantity surveying team to deal with our growing project size involving more complicated contracts, cost items and project budgeting. This team will be intended to alleviate the work load of our project management team, which currently handles all contract, suppliers and payment application matters. Our Directors consider that such quantity surveying team is necessary to support our continued business growth and complete our organisation structure. For our Directors’ current expectation of our business growth, our Directors are of the view that the quantity surveying team will optimally consist of 1 quantity surveying manager, 1 quantity surveyor and 1 project assistant, who should possess relevant industry experience.

We also believe that other promotional means will be conducive to our exposure in the fitting-out, renovation and A&A works market, especially for target customers in the residential sector. We plan to renovate our website, design and create our corporate brochure and place advertisements in the internet and printed media with an aim of expanding our marketing coverage and promoting our brand recognition.

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Implementation of business strategies

For details on the implementation of the aforementioned business strategies, please refer to the section headed “Business Strategies and [REDACTED]” of this document.

As at the Latest Practicable Date, we have not identified any target for acquisition or had any acquisition plan.

OUR BUSINESS OPERATIONS

I. Fitting-out and renovation business

Our fitting-out and renovation business refers to our role as the main contractor for fitting-out and renovation works carried out for residential, industrial and commercial properties in Hong Kong. Our fitting-out and renovation works are performed in interior spaces of the property. Fitting-out and renovation works are generally required before a new office, store or other premises is put into operation for commercial and industrial properties and for residential properties before occupation. The scope of work is generally unique and varies project by project.

Commercial and industrial properties

Our fitting-out and renovation works primarily include interior decorative works, which typically comprise electrical works, mechanical ventilation and air conditioning, partition works, ceiling works, wall finishes, carpentry works, steel and metal works, plastering and painting, fire services, plumbing and drainage, sanitary fittings, bricklayer works, roof waterproofing, wiring and network cabling, security system installation and other miscellaneous fitting-out and renovation works.

Residential properties

Our fitting-out and renovation works for residential properties mainly refer to interior decorative works for apartments or flats, which generally include stone and marble works, joinery works, suspended ceilings, plastering works, painting, installation of sanitary fittings and wares, electrical installation and fixing other furniture.

II. A&A works

We provide services for A&A works which mainly include structural alteration, structural steelwork, building maintenance, refurbishment, fabrication, façade works, modification, installation of hardware and equipment, removal of partitions, doors, construction of staircase, other works that improve the general condition of buildings and their facilities, other miscellaneous A&A and building construction works. The above services we offer include prescribed repair works for the buildings subject to the Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme of the Government. A&A and building construction works normally require prior consent and approval from the Buildings Department. Our client or our Group separately appoints authorised person or

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registered structural engineer for preparing the submission to the Buildings Department and appoint us to carry out the works in accordance with the submission and the Buildings Ordinance. Our A&A works may also be works not involving structural works and hence do not require approval or consent from the Buildings Department. We discharge our duties as a main contractor. Our A&A works cover areas including department stores, hotels, residential properties and building façades.

III. Interior design

Ample Design, being our Company's operating subsidiary and interior design arm, provides interior design services which involve (i) providing suggestion on general theme and aesthetical aspects of the premises; (ii) creating original design proposals which comprise 2D and 3D drawings, materials and furniture solutions, ceiling, ventilation and electrical plans; and (iii) helping our clients to liaise with fitting-out service providers (which our Group may also participate in the tendering), manage and supervise the fitting-out project works to ensure the completed works comply with the design plans and meet specifications. As at the Latest Practicable Date, Ample Design has 3 outstanding contracts with customers.

OUR FITTING-OUT, RENOVATION AND A&A PROJECT WORK PORTFOLIO

We have undertaken a number of sizeable fitting-out, renovation and A&A projects and have served many well-known customers. Our track record of handling large scale projects successfully has become the key to gaining customers' confidence and bringing in new businesses. During the Track Record Period, we completed a total of 74 fitting-out and renovation projects and 132 A&A projects, of which 51 were in the residential sector and 155 in commercial and industrial sector.

	For the year ended 31 March		For the three months ended 30 June 2016	From 1 July 2016 to the Latest Practicable Date
Number of projects completed	2015	2016		
Fitting-out and renovation works	20	33	21	15
A&A works (<i>Note</i>)	48	57	27	5
Total	<u>68</u>	<u>90</u>	<u>48</u>	<u>20</u>
Residential	22	17	12	6
Commercial and industrial	46	73	36	14
Total	<u>68</u>	<u>90</u>	<u>48</u>	<u>20</u>

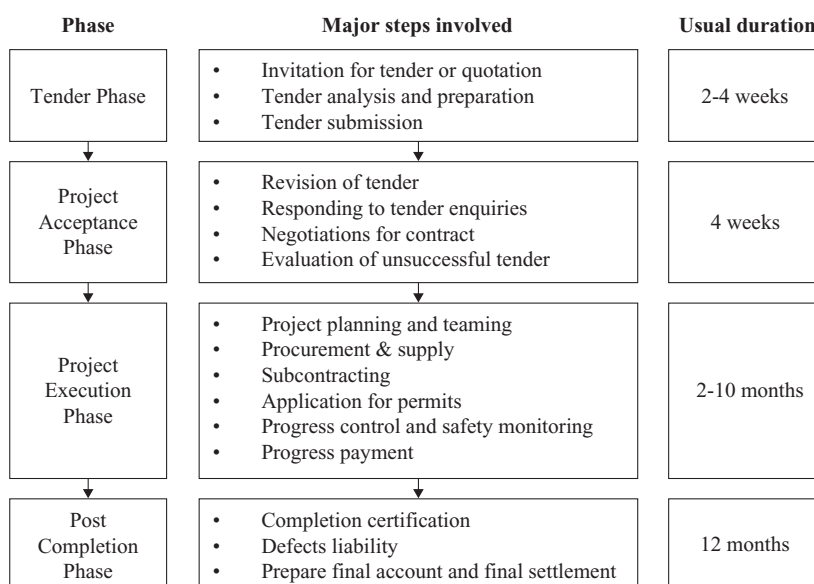
Note: During the Track Record Period, we have been awarded and completed two contracts relating to the site formation and construction of small houses in the New Territories, which are categorised as A&A works.

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As at the Latest Practicable Date, our Group has 14 fitting-out and renovation projects and 19 A&A projects on hand, of which 19 are residential projects and 14 are commercial and industrial projects.

OPERATING PROCEDURES

Our operating procedures in respect of fitting-out, renovation and A&A works principally involve identifying potential projects, sales and marketing, tender and project implementation. We have developed a comprehensive project management system in respect of our project works including tender preparation and submission, contract management, project management and supervision, and completion and handover. For illustrative purposes, the following flow chart summarises the usual workflow of a fitting-out, renovation or A&A project:



Note: Time frame above is for illustration purpose only and actual time frame of a given project may vary significantly due to the impact of various factors, such as the complexity of the project, customer's preference, process of negotiation, etc.

1. Tender phase

Invitation for tender or quotation, preparation and submission

As a usual practice, our customers (or agent appointed by the customers, which may be an architect firm or commercial real estate agents) invite us to submit a tender or provide a quotation for tendering for a potential fitting-out, renovation or A&A project. Our customers are mainly companies setting up new offices or retail stores in diverse industries and property developers in the commercial and industrial sector. We act as the main contractor for carrying out these projects from inception to completion. For residential projects, it is usually the interior designer who invites us to submit quotation for carrying out the interior fitting-out works or our customers approach us directly.

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For preparation of a tender submission, we form a tender team which consists of our executive Directors, project directors and project managers. These personnel will examine the documents and drawings comprising the invitation to tender, analyse, assess and discuss the special requirements, specifications, anticipated difficulties such as workmanship, material procurement, timing and other necessary resources to ascertain the feasibility and the potential competition of the project. The tender team may also attend site visit to understand the site condition. Our tender documents for submission normally comprise (i) a bid price for the project; (ii) principal terms of the contract; (iii) a master programme; (iv) schedules of rates listing out the quantities and prices for the items of works; (v) a proposed project management team structure; (vi) if considered by us to be appropriate, alternative solutions, such as replacement materials; and (vii) job reference of our Group and résumés of our key project management team members.

Pricing of our quotations

For fitting-out, renovation and A&A projects, our pricing is determined basically on a cost-plus basis with emphasis on factors including (i) the cost of subcontractors; (ii) duration of the project; (iii) cost of the materials and furniture required for the fitting-out and renovation/A&A works; (iv) anticipated competition; (v) difficulties of the project; (vi) general economic condition which may affect client acceptability; and (vii) restrictions and special requirements, if any, imposed by the client and management office of the premises. Our Directors consider it important to estimate the project cost accurately, as most of our projects are lump sum contracts with fixed schedules of rates such that any unexpected subsequent adverse fluctuation in cost or budget overrun cannot be passed on to our customers and will be suffered by us which will result in minimising our project profit or even a loss. However, since our projects normally commenced shortly after we finalised the contracts with our customers and did not last for long period during which we expected the quotations from our suppliers or subcontractors remain valid, our Directors confirm that our Group did not experience significant budget overrun due to adverse fluctuation in cost during the Track Record Period.

Quotations submitted during the Track Record Period

During the Track Record Period, most of our projects were obtained through a process of competitive bidding in which we believe our customers will also obtain tenders or quotations from other contractors. The following table sets out the number of project bids, number of successful project bids and our success rate during the Track Record Period:

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	For the year ended 31 March		For the three months ended 30 June
	2015	2016	2016
Number of project bids	656	632	304
Number of successful project bids	119	114	57
Success rate (%)	18.1%	18.0%	18.8%

The tender success rate for the year ended 31 March 2015 was 18.1%, which slightly decreased for the year ended 31 March 2016, which was 18.0%. The tender success rate for the three months ended 30 June 2016 was 18.8%. Before we submit tenders or quotations, our Directors evaluate our existing project work load, i.e. total contract sum and number of projects on hand. When we consider that our project team is already engaged in some projects but still has capacity, our Directors would apply a higher profit margin in the quotation. If there is excessive workload, our Group may not submit tender or quotation at all. For the year ended 31 March 2016, as we were engaged in some fitting-out and A&A projects with substantial project sum, we reduced our participation in tendering and hence number of projects bids decreased from 656 to 632 for each of the years ended 31 March 2016. For the three months ended 30 June 2016, as we completed some projects with our major customer, we actively bid for projects and were awarded 57 projects and yielded similar level of success rate as for the years ended 31 March 2015 and 2016. Since we are frequently invited for submitting tenders or quotations, our Directors consider that we can swiftly adjust our tendering strategy to improve our competitiveness to fill our project pipeline.

2. Project acceptance phase

Project acceptance

After we have submitted our tenders, our customer may issue tender queries to us for clarification of details or requesting for additional information. We may also be asked to attend interviews arranged by our customer. When our customer decides to engage us, we will normally be informed by way of a letter of award or our acceptance is confirmed by counter-signing our quotation. Where applicable, we may then negotiate for and enter into a formal engagement agreement with the customer if we take the offer.

Evaluation of unsuccessful tenders

If we are not chosen for a particular bid, our tender team will ascertain from the customer the reasons for choosing others. Evaluation meetings are regularly convened to discuss such failed bids with an aim to identifying our weaknesses and brainstorming improvement methods. This exercise has also provided our Group with insight into the latest market competition.

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3. Project execution phase

Project execution and customer acceptance

Once our engagement is confirmed, we will commence the implementation of the project by (i) forming a project team; (ii) negotiating and finalising agreements with our suppliers and subcontractors and arranging with them for carrying out the works and delivering the required materials for the project; and (iii) if necessary, applying for licenses or permits from relevant Government departments and/or property management office.

Forming a project team

Depending on the scale and complexity of the project, our project team generally holds one or some of the following key roles: project director, project manager, project coordinator, project assistant, site supervisors and safety officer. Our executive Directors will decide the size of the project team in consideration of the particular project requirements, closely monitor the progress of the project on a continuous basis and evaluate whether addition or removal of project team members will be appropriate. Our project team will oversee the project on site and report to our executive Directors on the project status and identify issues that need attention or to be resolved from time to time.

The following describe the general duties performed by the key roles of our project team:

Project director

Our project director is mainly responsible for communicating with other members of the project team on the project status, reviewing the progress report and liaising with customers, suppliers and subcontractors. The project director plays a key management and supervisory role in keeping a project on track. Our project director also provides guidance on dealing with technical issues and considers instructions from our customers. On an ongoing basis, our project director reports directly to our executive Directors for the project he or she oversees. Our project director also chairs weekly meetings which all our staff meet to discuss progress and share experience.

Project manager

Our project managers closely monitor project progress. They prepare and keep the master construction programme, assign subcontractors and order construction materials with respect to the programme. They keep suppliers and subcontractors informed when the respective supplier or subcontractor needs to provide its services or the deadline for ordering the particular material for timely delivery. Project managers are also responsible for the preparation of payment application, which has to be approved by a project director, to our customers. Our project managers report directly to our project directors.

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Project coordinator

Our project coordinators are assigned to assist project managers to carry out their duties. In the early stage of a project, they help to maintain the list of suppliers and subcontractors involved. Once it proceeds to a later stage, they will focus more on inspecting the works done by subcontractors, understanding the progress and ensuring contract requirements being fulfilled.

Project assistant

Sometimes as required in larger scale projects, our project assistant may be assigned in these projects and is mainly responsible for handling submissions and the paper work involved in a project, including the maintenance of registers of drawings and documents.

Site supervisor

Our site supervisors are highly experienced personnel with at least 30 years of experience and are assigned on site full-time for supervising and ensuring suppliers and subcontractors to carry out works in accordance with specifications and design drawings. They also provide guidance and standard of workmanship to suppliers and subcontractors.

Safety officer

Our safety officer is responsible for advising site management on safety issues and prevention of injury and accident. The safety officer will conduct safety walk to inspect the safety condition of different project sites. Regular safety trainings are conducted by safety officer for workers to keep them aware of the importance of working safe. The safety officer will also prepare the necessary safety equipment required for different types of work. The safety officer is also required to keep proper safety records and handle matters related to injuries at work.

The above roles in the project team can take charge in any or both fitting-out and renovation and A&A works projects.

Work programme and resource arrangement

Prior to commencement of a project, our project director works in tandem with our project team members, suppliers and subcontractors with a view to understanding project requirements, contract specifications, drawings and work sequences, contract period, physical constraints and difficulties, statutory requirement for environmental protection, safety planning and labour deployment. Our project managers prepare work programme in accordance with the completion time requirement of the contract.

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Procurement of materials

Instead of producing the required materials and furniture for our fitting-out and renovation services and A&A works, we procure them from our suppliers. Our projects require various types of materials, which generally include lighting, furniture, coatings, finishes, electrical equipment, metalware, windows, kitchenware, timber products, tiles, wallpaper, carpet, paints, glass, and other materials and equipment pursuant to the contracts. Proposed materials, together with mock-ups or samples, may be required for submissions and approval by our customer before we order. Unless otherwise requested or nominated by our customer, we select our materials suppliers from our approved list of suppliers based on their past quality and performance and their capability to comply with the specified product requirements. Only suppliers in such approved list are invited for quotation. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty in procuring the materials needed for our projects. Therefore, our Directors consider that we do not overly rely on any of our materials suppliers and we are able to engage alternative supplier if the originally selected supplier fails to deliver.

It is not uncommon that some customers may nominate their preferred suppliers for some particular materials or furniture, which may or may not be in our approved suppliers list. We will liaise and make appropriate arrangement with them for the delivery of their materials for the completion of the works.

Our materials, when purchased, are delivered by the suppliers to the project site directly and as the materials are procured on a project-by-project basis in accordance with our customer’s requirements, we rely on the project drawings to estimate the quantities of the materials. To avoid damage, we designate our project coordinator to receive, inspect and properly keep the materials. We do not retain any leftover materials as inventory, because they are normally not re-usable in a different project.

For details of our suppliers, please refer to the paragraph headed “Suppliers” in this section below.

Negotiating on and/or finalising the subcontracting arrangement

As a main contractor of fitting-out, renovation and A&A projects, we act as the project manager and subcontract different parts of our works to various subcontractors, depending on their expertise, capability and resource availability. Under normal circumstances, we approach our subcontractors for quotations during preparation of tender or quotation so as to accurately estimate costs. We maintain a list of approved suppliers from which we can select our subcontractors. Once we are awarded the contract, we will then contact these subcontractors to confirm the terms and conditions. Our customers generally will consent our way of subcontracting. It is also a common industry practice whereby our customer nominates its subcontractor, which may or may not be in our list of approved suppliers, for one or more trades in a project. For details on our subcontracting, please refer to the paragraph headed “Suppliers” below in this section.

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Customer inspection and acceptance

In the course of our projects, our customer or its agents will inspect our work done periodically to ensure materials, goods and workmanship so far comply with the standards stipulated in the contract and approve the commencement of next stage. We are required to assist our customers on such inspection and facilitate them to issue sectional completion, if any, or issue of interim payment certificates.

Progress payment

Depending on the scale of the contract and results of negotiation with our customer, our provision of works and services are usually paid in either one of the two methods: (1) monthly payment; or (2) milestone payment. The monthly payment method is more often adopted in large projects with long duration while the milestone payment method is generally adopted in small and short-term projects.

For the monthly payment method, based on the activities carried out and quantities of materials delivered on site in the preceding month, we will submit to our customer monthly payment application, which generally includes the price of materials and goods and value of works. Once our customer is satisfied with our payment application, they will issue to us an interim payment certificate and make payment to us according to the credit term stated in the contract. They will usually retain up to 10% of each interim payment as retention money for the project. Such retention money is usually limited to a ceiling, which is normally 5% of the contract sum, and the full amount of the retention money will be released upon expiration of the defects liability period, which in general is up to 12 months following practical completion.

For the milestone payment method, we normally agree certain typical milestones of the project, such as delivery of furniture, completion of electrical wiring and plumbing works and practical completion of the project, and will receive a certain percentage of the total contract sum upon achieving such milestone.

4. Post completion phase

Preparation of final account

When our works have been completed to the satisfaction of our customers upon their inspection, customarily pursuant to our agreement, a practical completion certificate will be issued to us confirming the completion of the project. We will then prepare the final account with our customer, and this normally takes into account the sum of amounts which were previously certified and the remaining contract sum (with subsequent variations or changes) and the retention money, if any. The final sum will be paid to us accordingly.

BUSINESS

Defects liability period and release of retention money

Subject to the requirements of different projects, we may provide a defects liability period of up to 12 months from the date of completion. During which, we shall be responsible for any remedial works arising from the defective works or materials used. Generally, retention money is withheld by our customer or around 5% of the total project sum is retained upon satisfactory completion of the project. The retention money will then be fully released after the defects liability period ends.

Retention money is normally not applicable for residential fitting-out and renovation projects, but we may be held responsible for rectifying defective works within an agreed period after the handover of the premises. Once we are notified of the defects by the client, we will assign the responsible subcontractor to make good the defects. It is also part of our business to provide reinstatement work as after-sales services. It is agreed between our suppliers and subcontractors and us that the defects liability under the contract with our customer applies to our suppliers and subcontractors.

Duration of our projects

The duration of our fitting-out, renovation and A&A projects are affected by a number of factors, including scale, complexity, expectation of customers, availability of materials, and thus can vary widely. The expected project duration and completion time are usually provided in the contract.

OUR MAJOR FITTING-OUT, RENOVATION AND A&A PROJECTS

For each of the two years ended 31 March 2016 and the three months ended 30 June 2016, we completed 68, 90 and 48 projects (including fitting-out projects, renovation and A&A projects), respectively.

Major projects on hand

As at the Latest Practicable Date, we had 2 major projects each with a project sum exceeding HK\$5 million on hand (including projects in progress and projects which have not yet commenced), details of which are as follows:

No.	Location of project	Type of project	Expected completion date	Contract sum (Note) HK\$'000	Total revenue recognised during the Track Record Period HK\$'000	Revenue expected to be recognised after the Track Record Period HK\$'000
P961	Eastern District	Fitting-out and renovation	November 2016	51,976	12,670	39,306
P1006	Kowloon City District	A&A works	February 2017	10,200	2,046	8,154
P1021	Tuen Mun District	Fitting-out and renovation	September 2016	6,786	2,763	4,023

BUSINESS

Major completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed the following major projects each with a project sum exceeding HK\$5 million:

No.	Location of project	Type of project	Project period (completion month)	Contract sum (Note) HK\$'000	Total revenue recognised during the Track Record Period HK\$'000
P749	Sha Tin District	A&A works	August 2013 - September 2014	10,171	2,930
P804	Central and Western District	Fitting-out and renovation	March 2014 - July 2014	7,118	5,765
P827	Eastern District	Fitting-out and renovation	April 2014 - August 2014	11,843	11,843
P852	Yau Tsim Mong District	Fitting-out and renovation	July 2014 - May 2015	37,098	20,316
P859	Yau Tsim Mong District	Fitting-out and renovation	August 2014 - August 2015	22,232	21,452
P863	Tung Chung	Building construction	August 2014 - September 2015	12,000	10,207
P871	Yau Tsim Mong District	Fitting-out and renovation	September 2014 - July 2015	84,202	40,089
P876	Yau Tsim Mong District	A&A works	September 2014 - April 2015	44,486	24,368
P914	Yau Tsim Mong District	Fitting-out and renovation	April 2014 - December 2015	32,732	28,773
P927	Kowloon City District	A&A works	June 2015 - June 2016	8,122	7,749
P966	Wan Chai District	Fitting-out and renovation	November 2016 - April 2016	19,651	19,651

Note: Contract sum represents the aggregate contract sum of the initial contract and subsequent variation orders, if any, as agreed between our Group and the customer up to the Latest Practicable Date.

SEASONALITY

Our Directors consider that the business of our Group does not exhibit any significant seasonality effect.

BUSINESS

CUSTOMERS, SALES AND MARKETING

Our fitting-out, renovation and A&A projects are mainly awarded by way of tenders invited or quotations requested by our customers or their agents directly. The tender price of our projects is based on our estimated project costs plus a mark-up margin. Please also refer to the paragraph headed “Operating procedures – Pricing of our quotations” above for details of our pricing strategy.

For our interior design and project management projects, our customers are basically those who are planning for fitting-out and renovation services. We do not limit our interior design customers to engage our Group to carry out fitting-out works exclusively.

Major customers

For the two years ended 31 March 2016 and the three months ended 30 June 2016, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was approximately 42.7%, 39.4% and 20.2%, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 78.1%, 69.4% and 49.1%, respectively.

Set out below is a breakdown of turnover by major customers:

For the year ended 31 March 2015

Rank	Customer	Nature of work	Turnover HK\$'000	% total turnover for the year	Years of business relationship with our Group as at the Latest Practicable Date
1.	Customer A	Fitting-out, renovation and A&A	57,257	42.7%	2 years
2.	Customer B	Fitting-out, renovation and A&A	14,183	10.6%	3 years
3.	Customer C	Fitting-out and renovation	14,012	10.5%	2 years
4.	Customer D	Building construction	11,149	8.3%	3 years
5.	Customer E	Fitting-out, renovation and A&A	8,057	6.0%	5 years
Total			<u>104,658</u>	<u>78.1%</u>	

BUSINESS

For the year ended 31 March 2016

Rank	Customer	Nature of work	Turnover HK\$'000	% total turnover for the year	Years of business relationship with our Group as at the Latest Practicable Date
1.	Customer A	Fitting-out, renovation and A&A	55,415	39.4%	2 years
2.	Customer F	Fitting-out, renovation	19,119	13.6%	1 year
3.	Customer B	Fitting-out, renovation and A&A	8,812	6.3%	3 years
4.	Customer G	A&A	7,548	5.4%	1 year
5.	Customer H	Fitting-out, renovation and A&A	6,559	4.7%	1 year
Total			<u>97,453</u>	<u>69.4%</u>	

For the three months ended 30 June 2016

Rank	Customer	Nature of work	Turnover HK\$'000	% total turnover for the period	Years of business relationship with our Group as at the Latest Practicable Date
1.	Customer H	Fitting-out, renovation and A&A	6,111	20.2%	1 year
2.	Customer I	Fitting-out and renovation	2,763	9.1%	1 year
3.	Customer J	Fitting-out and renovation	2,098	6.9%	1 year
4.	Customer K	A&A	2,046	6.8%	1 year
5.	Customer L	A&A	<u>1,843</u>	<u>6.1%</u>	1 year
Total			<u>14,861</u>	<u>49.1%</u>	

Notes:

- Customer A is an established and famous chain of department stores with emphasis of Chinese products based in Hong Kong.

BUSINESS

2. Customer B is a private company incorporated in Hong Kong in 1978 with limited liability and is engaged in property investment and development.
3. Customer C is the Hong Kong branch of a leading international real estate services company which offers capital markets, consulting, corporate occupier & investors, leasing, valuation and advisory services. Customer C engaged our Group on behalf of its customers and revenue were recognised from 8, 13 and 3 contracts for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively.
4. Customer D is a private company incorporated in Hong Kong in 2006 with limited liability and is engaged in property development. Customer D engaged us in one-off projects to construct small houses in a village in the New Territories during the Track Record Period.
5. Customer E is a Hong Kong branch of a worldwide contractor in engineering, project management, manufacturing and installation of architectural envelopes and interior systems. Customer E is an agent engaging our Group on behalf of its customers and revenue were recognised from 16, 16 and 1 contracts for the year ended 31 March 2015 and 2016 for the three months ended 30 June 2016, respectively.
6. Customer F is the Hong Kong branch of a leading multinational company with its most famous internet-related services and mobile operating system.
7. Customer G is the incorporated owners of a private residential estate located in Kowloon.
8. Customer H is a company incorporated in Hong Kong in 2012 with limited liability and is engaged in property development.
9. Customer I is an individual and engaged our Group for residential fitting-out and renovation services.
10. Customer J is an individual and engaged our Group for residential fitting-out and renovation services.
11. Customer K is the incorporated owners of a private residential estate located in Kowloon.
12. Customer L is the incorporated owners of a private residential estate located in Kowloon.

None of our Directors or their respective close associates or the Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company) has any interest in the top five customers of our Group for the Track Record Period. All these top five customers are independent third parties.

Principal terms of general contracts entered between our Group and the customers

During the Track Record Period and up to the Latest Practicable Date, our customers engage us on a project-by-project basis instead of entering into any long-term contract. Our Directors consider that such arrangement is in line with the industry practice as fitting-out, renovation and A&A projects are usually one-off. The terms and conditions of the agreements vary from customer to customer and were generally in line with market practice. The major terms and conditions typically include the following:

Major terms and conditions	Description
Name and location of the project	: The name and address of the project site which our works are to be carried out.

BUSINESS

Major terms and conditions	Description
Scope of work	: This includes the specifications, drawings, designs, plans, materials proposed by our customers or submitted by us and other documents in accordance to which our works should be carried out.
Contract sum	: The value of our works, which in most cases is a fixed lump sum amount.
Contract period	: The period when we perform our works. A deadline is normally stipulated by when we shall complete the project works in accordance with the specifications and requirements of the contract, unless otherwise instructed or varied by our customer.
Payment terms	: The credit terms for the settlement of payment by our customers vary from project to project. Credit term given to our customers normally ranges from 7 to 30 days upon presentation of our invoice.
Variation or changes	: Customer may from time to time initiate variations or changes, which may be in the form of instructions or request for our proposal and the costs and expenses for such variations or changes are normally agreed in advance. If the contract does not specify orders for variations, we may normally carry out the works upon instruction from the customer and agree with a price subsequently, which in our Directors' view is a market practice. Valuation of variation is usually by reference to work of similar character and condition.
Insurance	: We, as the main contractor of the project, are generally requested to obtain and maintain (i) contractor's all risks insurance; (ii) commercial general liability insurance to cover public liability and property damage; and (iii) employee compensation required under the statutory limit for the project period.

BUSINESS

Major terms and conditions	Description
Surety bond	: Sometimes we are required to obtain the guarantee of an insurance company or bank to our customer for our due performance and observance of all the terms and conditions of the contract. If such a surety bond is required by us, it is normally released upon satisfactory completion of the project. The amount of surety bond, if any, varies contract by contract.
Liquidated damages	: Generally for delay of practical completion caused by us, we shall pay liquidated damages to our customer for every day between the originally agreed completion date and the actual practical completion date. The amount of liquidated damages may vary significantly among different contracts and is usually of a greater amount for project with larger project sum.
Retention money	: The contract may provide for a sum to be held up by our customer at each interim payment or at practical completion of the project. The retention money is then to be released to us when the defects liability period lapses.
Completion	: When our works have been fully completed and if required, inspections and testing conform to the standard or requirement, some of our customers may issue a practical completion certificate confirming that practical completion of the project has been achieved.

Sales and marketing

During the Track Record Period, our business opportunities arose mainly from invitations for tender or quotation by customers, which are considered by our Directors to be attributable to our well-established presence and reputation in the industry.

We also place advertisements on internet search engines, newspapers and magazines for promoting our standardised A&A works and interior design business. We are proud of our award-winning interior design team which is central to entice high-value customers.

BUSINESS

SUPPLIERS

Our suppliers are broadly categorised into (i) materials suppliers; and (ii) subcontractors. It is often the case that subcontractors, when performing their subcontracted works, provide the materials or furniture. Likewise, the materials suppliers normally have to provide on-site installation and/or implementation services. Therefore, the roles of subcontractors and materials suppliers may therefore be inseparable.

We maintain a list of approved suppliers (including materials suppliers and subcontractors), which were selected by our project directors and project managers mainly based on the suppliers’ availability, reputation, quality and workmanship, price, safety standard, punctuality of delivery of products or services, and past working experience with us. As at the Latest Practicable Date, there were approximately 504 suppliers (including materials suppliers and subcontractors) on the list of approved suppliers and our management reviews and updates such list regularly. Most of our suppliers are based in Hong Kong.

Materials suppliers

Our materials suppliers primarily supply us the following materials: lighting, furniture, finishes, electrical equipment, metalware, windows, kitchenware, timber products, tiles, wallpaper, carpet, paints and glass. As a main contractor of fitting-out, renovation and A&A projects, we purchase insurance for our project works and therefore insurance companies are also our major service providers and hence our suppliers. We generally order the materials and insurance on a project-by-project basis and we did not enter into any long-term supply contracts with our materials suppliers. The terms of our supply contracts include specifications, quantities, unit price, payment term and delivery responsibilities. When the materials are delivered on site, our project coordinators inspect the conditions of the materials before acceptance. To avoid damage due to fitting-out works or weather condition, the materials are normally delivered just-in-time for application or installation in accordance with the master programme of the project.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services. Our Directors consider that the possibility of material shortage or delay is low given the duration between we obtain quotations from the materials suppliers and delivery is not long and the abundance of suppliers of similar materials in the market. In addition, due to the same reasons, we did not experience any material fluctuation in materials price during the Track Record Period. We are able to pass on any increase in direct costs to our customers as we generally take into account our overall costs and any anticipated cost rise in our quotation submitted to our customers.

Subcontractors

As a fitting-out, renovation and A&A works main contractor, we are responsible for overall project management and implementation. To optimise our resources level and enhance cost efficiency, we subcontract most of the activities of a project to other subcontractors. Typical scope of subcontracted works includes interior fitting-out, renovation and A&A works, building works, structural steel works, electrical works and stone works.

BUSINESS

We are responsible to our customers for the works performed in a project, including those carried out by our subcontractors. Our customers generally consent us in the use of subcontractors for a project.

We enter into separate subcontract agreements with our individual subcontractors. The terms of our contracts with our subcontractors may vary depending on the scope of work, timing and quantities and unit price. Generally, we apply the following principal terms in our contracts with our subcontractors:

Scope of services

Following our customers’ specifications and requirements, the subcontractors will set out the scope of services which may include services, quantities, and materials to be used. The contract also specifies the site location.

Fee and payment term

The contract sets out the total fee payable by our Group to the subcontractor and how the fee is to be settled together with the credit term.

License

For certain work, such as installation of fire services and electrical equipment, appropriate licenses from the Fire Services Department and Electrical and Mechanical Services Department are required in order to carry out such work. We will specifically require subcontractor to have obtained all such licenses, which ought to be valid throughout the contract. We have been registered as the Electrical Contractor with the Electrical and Mechanical Services Department since July 2015.

Our subcontractors are neither our employees nor our agents, and we are not a party to the employment arrangement between our subcontractors and their employees. Fitting-out, A&A and renovation works are labour intensive works and we rely on workers with different skills to complete our projects. Given the variety of works undertaken by us, we may involve technical staff and labour with a wide variety of specialised skills at each stage.

As we are engaged by our customers project-by-project, we also engage our subcontractors in a similar manner. Our long term relationship with the subcontractors enables us to engage them timely and we approach our subcontractors early for potential projects so that they can reserve sufficient resources for us when our projects commence. We maintain a list of approved subcontractors in order to control our quality of works. Nevertheless, given a relatively large pool of subcontractors in our approved list in various types of works, our Directors do not foresee any difficulties in locating a suitable subcontractor for a new project.

During the Track Record Period and up to the Latest Practicable Date, there are no material disputes between our Group and our customers in respect of the quality of work performed by us and our subcontractors.

BUSINESS

We are liable to our customers for the performance and the quality of work done by our subcontractors. We require our subcontractors to follow our in-house rules in relation to work quality, occupational safety and environmental protection. In general, our project team will supervise subcontractors on a daily basis so as to identify any potential faults or defects and ensure the compliance of our in-house rules.

During the Track Record Period, there were no material claims of injuries arising from subcontracting activities, or claims from our customers in relation to the quality of works performed by our subcontractors, save for those disclosed in the paragraph headed “Litigation and potential claims” in this section below.

Major suppliers

For the two years ended 31 March 2016 and the three months ended 30 June 2016, the percentage of our Group’s purchase amount attributable to our Group’s largest supplier was approximately 11.2%, 9.7% and 17.6% of our total direct costs for the period, respectively, while the percentage of our Group’s total purchase amount attributable to our five largest suppliers in aggregate was approximately 34.7%, 31.8% and 48.3%, respectively.

Set out below is a breakdown of our Group’s total purchases made with the top suppliers:

For the year ended 31 March 2015

Rank	Supplier	Materials/services provided	Purchase amount HK\$'000	% of total direct costs for the year	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier A	Interior fitting-out	12,893	11.2%	2 years
2.	Supplier B	Interior fitting-out	9,586	8.3%	9 years
3.	Supplier C	Steel structure works	7,859	6.8%	6 years
4.	Supplier D	Stone works	4,926	4.3%	5 years
5.	Supplier E	Interior fitting-out	4,758	4.1%	4 years
Total			<u>40,022</u>	<u>34.7%</u>	

BUSINESS

For the year ended 31 March 2016

Rank	Supplier	Materials/services provided	Purchase amount <i>HK\$'000</i>	% of total direct costs for the year	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier C	Steel structure works	10,742	9.7%	6 years
2.	Supplier A	Interior fitting-out	8,889	8.0%	2 years
3.	Supplier F	Building works	6,355	5.7%	3 years
4.	Supplier B	Interior fitting-out	5,595	5.1%	9 years
5.	Supplier G	Electrical works	3,622	3.3%	2 years
Total			<u>35,203</u>	<u>31.8%</u>	

For the three months ended 30 June 2016

Rank	Supplier	Materials/services provided	Purchase amount <i>HK\$'000</i>	% of total direct costs for the period	Years of relationship with our Group as at the Latest Practicable Date
1.	Supplier F	Building works	3,943	17.6%	3 years
2.	Supplier C	Steel structure works	2,415	10.8%	6 years
3.	Supplier B	Interior fitting-out	1,880	8.4%	9 years
4.	Supplier H	Building works	1,361	6.1%	6 years
5.	Supplier I	Management company for a commercial property, charging for nominated subcontracting works	1,198	5.4%	1 year
Total			<u>10,797</u>	<u>48.3%</u>	

BUSINESS

None of our Directors, their close associates or the Shareholders (who or which, to the best knowledge of our Directors own more than 5% of the issued capital of our Company) has any interests in the five largest suppliers of our Group for the Track Record Period. All these five largest suppliers are independent third parties.

Credit terms

The credit terms granted by our suppliers generally ranged from 0 day to 30 days from the invoice date and we settle our payment generally by cheque.

MACHINERY

As at 30 June 2016, the net book value of our plant and equipment was approximately HK\$976,000, which were mainly motor vehicles. Our Directors confirm that our Group, as the main contractor of our projects, does not rely on the use of machinery, which are provided and used by our suppliers or subcontractors in performing their works only.

AWARDS AND ACCREDITATION

Despite the relative insignificance of revenue contribution by our interior design business, which accounted for approximately HK\$3,103,000, HK\$6,945,000 and HK\$1,978,000 revenue to our Group, or approximately 2.3%, 4.9% and 6.5% of total revenue for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, Ample Design has been certified by a number of awards, as summarised in the following:

Award name	Description	Awarding body	Year of award
2015 K-Design Award	Space design winner	K-Design Award	2015
2015 Asia Pacific Property Awards	Retail interior – Highly Commended	International Property Award	2015
2013 Asia Pacific Interior Design Awards for Elite –	Office Interior Honorable Award and Winning Prize	Asia Pacific Design Centre and International Federation of Interior Architects/ Designers	2014

BUSINESS

Award name	Description	Awarding body	Year of award
2014 Best Of Houzz	The Best Of Houzz award is given in two categories: customer satisfaction and design.	Houzz Inc.	2014
2012 Successful Design Award	A competition aimed at honoring outstanding designs and design influences in China	China’s Most Successful Design Awards Organizing Committee	2012
2012 Best of the Best Awards – Lifestyle	Outstanding designer award	Square Foot Limited	2012

QUALITY ASSURANCE

As a testament to commitment to provision of quality services, we have been awarded the following certificates:

Certificates/Description	Awarding organisation	Date of grant	Date of Expiration
Certificate for compliance with the requirements of OHSAS 18001:2007 occupational health and safety management system specification applicable to Interior design and fitting out works	Accredited Certification International Limited	3 November 2012	3 November 2018
Certificate for compliance with the requirements of ISO 14001:2004 environmental management system standard specification applicable to Interior design and decoration	Accredited Certification International Limited	3 November 2012	15 September 2018

BUSINESS

Certificates/Description	Awarding organisation	Date of grant	Date of Expiration
Certificate for compliance with the requirements of ISO 9001:2008 quality management system standard specification applicable to interior design and decoration	Accredited Certification International Limited	4 November 2016	15 September 2018

We consider that quality regarding our works is of utmost importance for our reputation and maintaining client relationship. Therefore, we apply stringent quality control on our services and materials. The following sum up our quality assurance procedures:

(i) Materials and furniture

We procure materials and furniture from materials suppliers for our fitting-out, renovation and A&A projects. To ensure the quality of such materials and furniture, our project team members conduct inspection upon delivery and before receipt. Upon request of our customers, we will also arrange relevant testing of the materials.

(ii) Subcontracting

We maintain a list of approved subcontractors and we only subcontract our works to subcontractors on such list. We assess the performance, quality standard, timeliness of delivery, workmanship and financial strength of our subcontractors regularly. We also communicate closely with our subcontractors to ensure they learn the specifications of the project works and the quality requirements and we inspect their works before handing over to clients.

(iii) Project management

Our project team conducts progress meetings with our clients and other relevant parties to ensure that each of them has full knowledge and understanding of the progress of a project. Our management considers that timely delivery is crucial to our quality assurance plan and we endeavour to improve our coordination with the working parties and project management. Our project management staff will normally be on-site to monitor the works performed by our suppliers (including materials suppliers and subcontractors) to ensure that all works are done in accordance with our customer’s specifications.

BUSINESS

OCCUPATIONAL HEALTH AND SAFETY

We have adopted an occupational health and safety system as required by relevant occupational health and safety laws, rules and regulation and managed by our safety department for the benefit of the employees of our Group and our subcontractors. We are committed to providing a safe and healthy working environment. It is also our concern not to cause hazards in the general public. With effect from November 2012, our occupational health and safety management system has been accredited with OHSAS 18001:2007.

Our safety department is responsible for setting up safety policy for workers before carrying out their works, inspection of equipment to ensure they are safe to use, regular safe walks to maintain safe working environment and site tidiness, handling safety incident and keeping safety records. In addition, our Group will conduct regular safety meeting and safety training for our staff.

The following table sets forth the comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers of our Group (including workers of our subcontractors) against the construction industry average in Hong Kong:

	Industry average ⁽¹⁾	Our Group ⁽²⁾
2014		
Accident rate per 1,000 workers	41.9	–
Fatality rate per 1,000 workers	0.242	–
2015		
Accident rate per 1,000 workers	39.1	0.96
Fatality rate per 1,000 workers	0.200	–

Notes:

- (1) Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) by Occupational Safety and Health Branch of the Labour Department.
- (2) Our accident rate is calculated as the occurrence of accident during the calendar year (i.e. 0 accident in 2014 and 2 accidents in 2015) divided by the average number of site workers in the last month of the year. The number of site workers includes employees of our Group and our subcontractors.

BUSINESS

The following table sets out the nature and type of material industrial accidents which occurred during the Track Record Period and the corresponding safety measures and requirements we undertook and implemented to prevent the occurrence of similar accidents and protect the employees of our Group and our subcontractors:

Nature and type of industrial accidents	Safety measures and requirements undertaken
Contusion, bruise, sprain and/or fracture injury caused in connection with falling from height	We require our workers to strictly follow our relevant safety guidelines while working at height. In addition, under our internal safety guidelines, ladders and working platforms for working at height must be securely anchored to safe place and being inspected by competent person before commencement of the works. Depending on the height of works, each worker is strictly required to wear safety harness which is secured to an independent life line.
Contusion, bruise, sprain and/or fracture injury caused in connection with slipping and falling on the floor	Our workers are required to strictly follow our safety policy to maintain safe work environment and site tidiness. In circumstances where working on slippery surfaces is inevitable, we require our workers to strictly follow our relevant safety guidelines for working on slippery surfaces, such as the use of different protective equipment, like slip-proof safety shoes.

The following table sets out our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

Period	LTIFR(s) (Notes)
Year ended 31 March 2015	–
Year ended 31 March 2016	8.01
Three-month period ended 30 June 2016	–

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries in terms of loss days of our Group that occurred during the relevant financial year or period by 1,000,000 divided by the number of hours worked by site worker over the same financial year or period. It is assumed that the working hour of each worker is 10 hours per working day. The number of working days for the two financial years ended 31 March 2016 and three months ended 30 June 2016 were approximately 313 days, 312 days and 74 days, respectively.
2. Employees of our Group and our subcontractors are included in the LTIFRs shown above.

BUSINESS

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group did not experience other material accidents involving fatal injuries.

ENVIRONMENTAL PROTECTION

Our business is subject to the applicable laws and regulations relating to environmental protection. For details of the laws and regulations in relation to environmental protection aspects relevant to our business, please refer to the section headed “Regulatory Overview” of this document.

Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers’ demands in environmental protection and at the same time meeting the community’s expectation for a healthy living and working environment. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not have any material violation of the relevant contract terms which led us to claims by our clients.

In order to comply with the applicable environmental protection laws and regulations, we have established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. For each of the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our compliance cost in relation to the applicable environmental laws and regulations in Hong Kong was approximately HK\$1,000, HK\$5,000 and HK\$35,000, respectively, which primarily related to dumping of waste. Our Group estimates that its annual cost of compliance going forward will be at a level similar to that incurred during the Track Record Period and consistent with its scale of operation.

With effect from November 2012, our environmental management system has been accredited with ISO 14001:2004. Set out below are our measures and work procedures required to be followed by our project management team and workers in respect of environmental protection compliance:

Area	Measures
Air pollution control	<ul style="list-style-type: none">● Dust suppression by use of water● Installation of dust screens as required● Use of low-dust techniques and equipment as required

BUSINESS

- | | |
|----------------|---|
| Noise control | <ul style="list-style-type: none"> ● Installation of acoustic barriers as required ● Inspection and maintenance of all equipment before use for compliance of permitted noise level ● Works to be undertaken in accordance with the permitted work hours as specified by our customers |
| Waste disposal | <ul style="list-style-type: none"> ● Waste to be segregated into general wastes and construction wastes before transporting to landfills |

INSURANCE

Pursuant to Section 40 of the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities under the Employees’ Compensation Ordinance and at common law for their employees’ injuries at work). Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has taken out and maintained insurance policies in respect of employees’ compensation and contractors’ all risks covering property damage arising from the project works and third party liabilities insurance for the project in accordance with the applicable laws and regulations and the insurance requirements under the contract.

During the Track Record Period, the total insurance cost borne by our Group for projects amounted to approximately HK\$1,373,000, HK\$1,586,000 and HK\$350,000 for the year ended 31 March 2015 and 2016 and for the three months ended 30 June 2016, respectively. Our Directors confirm that our Group has adequate insurance coverage for the operation of our business and it is in line with the industry norm.

COMPETITION LANDSCAPE

According to the Euromonitor Report, the industry in which our Group operates is fragmented with a large number of players and is highly competitive on price. According to the Buildings Department Registry, there were 691 registered general building contractors and approximately 11,000 registered minor works contractors for A&A works under Type A minor works as of May 2016.

There are some major construction contractors, which also have their own in-house fitting-out team or subsidiary, are likely to have a better competitive edge since they have the advantage of being able to compete for construction projects as a main contractor and the autonomy to use their own in-house team or engage their subsidiary for fitting-out works. On the other hand, the market share of players within the renovation and A&A works industry is more evenly distributed among mid-sized to small-sized players. Furthermore, as

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the fitting-out and renovation works and A&A works industry covers a wide range of works requiring different skills, most of the players tend to offer only services in a specialised area.

The quality of work is another factor that is important, especially for high-end developments, such as the fitting out of luxury apartments or offices for leading international brands. Customers may prefer contractors who are able to coordinate the full range of construction services, eliminating the need to negotiate and deal with multiple subcontractors and possibly shortening the project timeframe.

Having considered the competitive strengths of our Group as discussed in the paragraph headed “Competitive strengths” in this section above, our Directors believe our Group is well-positioned to maintain our foothold in the fitting-out, renovation and A&A works industry. In addition, riding on our established track record and [REDACTED] status, which our Directors believe our potential clients will likely take into consideration in choosing our services, our Directors are optimistic about our Group’s business outlook.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any land or property but we leased the following property for our business operations from independent third party:

Address	Monthly rental expenses HK\$	Use of the property	Tenancy
Unit 9 & Unit 10 on 13th Floor, Eastern Harbour Centre, No. 28 Hoi Chak Street, Quarry Bay, Hong Kong	HK\$39,880 (inclusive of Rates & Government rent and management charges)	Office and warehouse	From 1 April 2016 to 31 March 2018 (both days inclusive)

INTELLECTUAL PROPERTY

Our Group is the registered owner of 1 trademark and 2 domain names in Hong Kong. Our Group has also applied for registration of one trademark in Hong Kong. Please refer to the section headed “Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this document for further details.

As at the Latest Practicable Date, we had not engaged in any material dispute, litigation or legal proceedings relating to the violation of intellectual property rights, and our Group was not aware of any infringement by it of any intellectual property rights owned by third parties nor by any third parties of any intellectual property rights of our Group.

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RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant research and development activity.

EMPLOYEES AND MANAGEMENT

As at 31 March 2016, apart from our Board, we had 27 full-time employees who were directly employed by our Group in Hong Kong. A breakdown of our employees by function as at the same date is set forth in the table below:

	Number of employees
Management	3
Administration and human resources	3
Accounting	3
Business development	1
Project management and execution	13
Design	<u>4</u>
Total	<u><u>27</u></u>

Our Group generally recruits our staff through placing advertisements in the open market and recruitment websites after assessing the candidates’ experience, expertise and qualifications required for our different functions. They are normally subject to a three-month probationary period starting on board. It is our objective to maintain good employer-employee relationship and have constructive plans to attract, retain and incentivise our employees with a view to promoting sense of belonging and encouraging them to commit to our goals. We assigned a human resources department to handle all employment issues and complaints. During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed “Litigation and potential claims” in this section below, we did not encounter any material difficulties in hiring staff or complaints by or disputes with our staff which would have had a material impact on our business, financial condition or results of operations. There was no labour union established by our employees as at the Latest Practicable Date.

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LITIGATION AND POTENTIAL CLAIMS

A. Ongoing litigation in relation to employees’ compensation claims and common law personal injury claims

As at the Latest Practicable Date, we undergone two litigations brought against our Ample Construction by the family members of a worker (the “**Deceased**”) who passed away in a fatal accident happened on 20 August 2013 (the “**Accident**”).

On 20 August 2013, the Deceased was employed by a sub-subcontractor to carry out external wall repairing work, during which he fell from height to the ground and as a result sustained fatal injuries. Our Company was the principal contractor of the work involved in the Accident. The family members of the Deceased commenced two litigations against, amongst others, Ample Construction. The first litigation (the “**First Litigation**”) was initiated pursuant to the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) on 1 June 2015 and the second litigation (the “**Second Litigation**”) was initiated under common law in 17 February 2016, both of which are awaiting trial.

We have been advised by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong, that after considering the background facts, Ample Construction may be held liable under the First Litigation and in such event, Ample Construction may be required to pay up to approximately HK\$2,013,000 as a compensation to the plaintiff. In this regard, our Group has made a provision of approximately HK\$2,013,000. In relation to the Second Litigation, we have been advised by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong, that we have a strong case in defense of the Second Litigation on the grounds that it was not fair and reasonable to impose a duty of care on Ample Construction for the acts of the Deceased due to lack of proximity and foreseeability.

Although our Group has taken out insurance for the repairing works, our insurer has disputed about the coverage in respect of the Accident and as at the Latest Practicable Date, our insurer has not paid any compensation to the Deceased, nor agreed to keep Ample Construction indemnified against any liability arising from the Accident. However, the Controlling Shareholders of our Company, have agreed to jointly and severally indemnify our Group against all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses (including all legal costs and expenses) arising from or in connection with the First Litigation and the Second Litigation pursuant to the Deed of Indemnity.

After considering the compensation that our Group may be required to pay, the legal costs that may be involved and the merits of our defenses, our Directors are of the view that the First Litigation and the Second Litigation would not bring material impact on the financial position of our Group.

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B. Potential litigation in relation to employees’ compensation claims and common law personal injury claims

During the Track Record Period, there is one incident which may give rise to potential litigation in relation to employees’ compensation and/or common law personal injury claims against our Group as set out below:

No	Date of accident	Details of the accident and nature of injuries	Last date to commence an employee’s compensation claim	Last date to commence a personal injury claim	Covered by insurance
1	17 August 2015	An employee of our Group suffered fractured right foot whilst performing works	16 August 2017	16 August 2018	Yes

As at the Latest Practicable Date, the potential litigation related to the above incident have not commenced and therefore, our Directors are of the view that the likely quantum of such potential claims cannot be assessed at this stage. Our Directors take the view that the amount of such potential claims to be borne by our Group in the proceedings shall be covered by relevant insurance policy. Our Directors also confirm that the accident which gives rise to any potential claims were caused during usual and ordinary course of our business and have not caused disruption to our Group’s business. Such accident does not have an adverse impact on our Group to obtain and renew any licenses or permits for our operation.

Having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the coverage of insurance policy; (iii) the uncertainties in the total amount that will be involved for such claims, if any; and (iv) the indemnity given by our Controlling Shareholders pursuant to the Deed of Indemnity, no provision was made in the financial statements of our Group in relation to the above potential litigation,

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C. Litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period, our Group has settled the following claims:

No.	Nature of the claims	Particulars of the claims	Covered by insurance
1	(i) Employees’ compensation claim (ii) Personal injury claim	On 25 April 2012, the claimant sustained injury to his eye in the course of works.	Yes
2	(i) Employees’ compensation claim (ii) Personal injury claim	On 19 June 2013, the claimant sustained injury to his fingers whilst performing works.	Yes
3	(i) Employees’ compensation claim (ii) Personal injury claim	On 29 May 2014, the claimant sustained injury to his left hand due to accidental fall.	Yes

Save as disclosed above, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance that is known to our Directors would any member of our Group.

LEGAL AND REGULATORY COMPLIANCE

Licences and permits

During the Track Record Period and up to the Latest Practicable Date, we had obtained all the material licenses and permits necessary for the operation of our business in which we operate, and such licenses and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licenses or permits necessary for the operation of our businesses.

As at the Latest Practicable Date, Ample Construction is a Registered General Building Contractor and a Registered Electrical Contractor in Hong Kong. Details are as follows:

Authority	Type of registration	Registered Company	Registration No.	Date of registration	Date of expiration
Building Authority	General Building Contractor	Ample Construction	GBC 3/2006	19 September 2006	29 September 2018
Electrical and Mechanical Services Department	Electrical Contractor	Ample Construction	020845	14 July 2015	6 August 2018

Please refer to the section headed “Regulatory Overview” of this document for the discussion of the regulatory requirements of our business.

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Non-compliance matters

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this document, we had no material non-compliance of applicable laws and regulations in Hong Kong that is material or systemic in nature.

RISK MANAGEMENT

Our Directors consider that during the ordinary course of our business, we are primarily exposed to (i) operational risks; (ii) credit risks; and (iii) market risks relating to the changes in macroeconomic environment.

The following set out the key risks for our business and how our Group intends to mitigate them:

Operational risks

For our business operations, we are primarily exposed to project delay risk and health and safety risk.

Project delay risk

Any delay in project (which may or may not be caused by us) would affect the timing of our Group’s cash inflows and outflows and lead our Group to pay liquidated damages and hence affect our profit or loss. Our project managers closely monitor the progress of each project and meet with the customers if necessary to inform them the latest status. We plan the deployment of our labour and other resources accordingly. Our financial manager is responsible for maintaining sufficient liquidity and working capital use and report to our executive Directors to consider whether contingency plans are required.

Health and safety risk

We have adopted a safety and health policy for our staff we engage a safety officer for some projects to ensure the safety condition of the project sites.

Credit risks

We are exposed to risk of increase in bad debts if the credit granted are not closely monitored by us. To minimise credit risks, we adopted the following internal control measures:

- before acceptance of a project, we conduct internal assessment on the customer’s payment history and its reputation in its industry to form a view on its credibility and financial strength and negotiate the credit terms;

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- our accounting department continuously monitors all overdue payments of each project and takes necessary follow-up actions with our quantity surveyors to remind customers for the timely settlement of our payments; and
- our financial manager prepares receivables ageing analysis for the presentation to our senior management and our management will review the recoverable amount and assess whether it is necessary to make any specific provisions.

Market risks

Our Group is exposed to market risks relating to changes in the social, political and economic conditions in Hong Kong. Our Directors closely study the relevant economic data to reckon whether fitting-out, renovation or A&A projects would be more favoured so as to adjust our business strategies. It is our Directors’ responsibility to identify and assess the prevailing economic condition and market risks and adopt different policies from time to time to mitigate market risks.

Risk management

We have established risk management systems consisting of relevant policies and procedures that we believe are appropriate for our business operations, including monitoring our performance and taking active measures to manage our costs. Pursuant to our risk management policy, our key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritising the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and our risk tolerance level; and (v) execution of risk response measures.

Our Board oversees and manages the overall risks associated with our operations. Moreover, our audit committee will review and supervise our financial reporting process and internal control system. The audit committee consists of three members, namely Ms. Tsang Ngo Yin, who serves as the chairman of the committee, Mr. Ng Man Wai and Mr. Wu Wai Ki. For the qualifications and experience of these risk management team members and committee members, please refer to section headed “Directors and Senior Management” in this document.

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any significant hedging activity.

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INTERNAL CONTROL

The IC Consultant has been engaged by our Group to consider and comment on the design, implementation and operating effectiveness of the control procedures of our Group by reviewing our policies and procedures, minutes, reports, organisational charts and other supporting documents, and performing walk-through tests and tests of samples. Based on the results of the IC Consultant’s review, the IC Consultant has identified certain areas of weaknesses or deficiencies in our internal control system and provided recommendation to our Group for addressing them. The IC Consultant performed its review together with a series of follow-up reviews during February 2016 to August 2016 and has no further recommendation upon completion of the final follow-up review in August 2016. Our Directors confirm and the IC Consultant acknowledges that all recommendations provided by the IC Consultant had been adopted as at the Latest Practicable Date. Based on the findings of the IC Consultant and our Group’s adoption of the recommendation measures and remedial action to such findings, our Directors considered, and the Sponsor concurs, that we have a sufficient and effective internal control system in place.

CORPORATE GOVERNANCE MEASURES

In addition, it is the responsibility of our Board to ensure that we maintain a sound and effective internal control and corporate governance system to safeguard the Shareholders’ interest and our assets at all time. As such, we have adopted a series of corporate governance measures which are set out in the section headed “Relationship with Controlling Shareholders – Corporate governance measures” in this document.

Our Directors are of the view, and the Sponsor concurs, that our Group has adequate and effective internal control measures for our operations, compliance and corporate governance.