

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report received from our Company’s reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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 The Landmark
 11 Pedder Street
 Central
 Hong Kong

The Directors
 LKS Holding Group Limited
 Frontpage Capital Limited

[Document date]

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding LKS Holding Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 (the “Track Record Period”), for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 11 February 2016. Through a corporate reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Document (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on [●].

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Thrive Tide Limited (“Thrive Tide”)	Limited liability company incorporated on 4 January 2016, the British Virgin Islands (the “BVI”)	US\$200	100% (direct)	Investment holding

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Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Ample Construction Company Limited (“Ample Construction”)	Limited liability company incorporated on 8 July 2002, Hong Kong	HK\$1,000,000	100% (indirect)	Provision of interior fitting-out, renovation, alteration and addition works services
Ample Design Company Limited (“Ample Design”)	Limited liability company incorporated on 9 November 2007, Hong Kong	HK\$10,000	100% (indirect)	Provision of interior design services

All companies now comprising the Group have adopted 31 March as their financial year end date.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement, and the Company has not carried out any significant business transactions other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Thrive Tide since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

The statutory financial statements of Ample Construction and Ample Design for the years ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by us.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs.

We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

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The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of Section A below, and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2015 and 2016 and 30 June 2016 and of the Company as at 31 March 2016 and 30 June 2016, and of the combined financial performance and cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three months ended 30 June 2015 together with the notes thereon have been extracted from the Group’s unaudited combined financial information for the same period (the “June 2015 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the June 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the June 2015 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

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A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 March 2015 <i>HK\$'000</i>	Year ended 31 March 2016 <i>HK\$'000</i>	Three months ended 30 June 2015 <i>HK\$'000</i> (Unaudited)	Three months ended 30 June 2016 <i>HK\$'000</i>
	<i>Notes</i>				
Revenue	5	134,047	140,719	30,342	30,252
Direct costs		<u>(115,280)</u>	<u>(110,777)</u>	<u>(25,137)</u>	<u>(22,371)</u>
Gross profit		18,767	29,942	5,205	7,881
Other income, other gains and losses, net	6	210	(962)	14	(285)
Administrative and other operating expenses		(6,471)	(15,818)	(1,767)	(2,375)
Finance costs	7	<u>(105)</u>	<u>(137)</u>	<u>(40)</u>	<u>(63)</u>
Profit before tax	8	12,401	13,025	3,412	5,158
Income tax expense	9	<u>(1,995)</u>	<u>(2,958)</u>	<u>(605)</u>	<u>(773)</u>
Profit and total comprehensive income for the year/period		<u>10,406</u>	<u>10,067</u>	<u>2,807</u>	<u>4,385</u>
Profit/(loss) and total comprehensive income/ (expense) for the year/period attributable to:					
Owners of the Company		10,545	9,957	2,900	4,385
Non-controlling interests		<u>(139)</u>	<u>110</u>	<u>(93)</u>	<u>–</u>
		<u>10,406</u>	<u>10,067</u>	<u>2,807</u>	<u>4,385</u>
Earnings per share					
– Basic and diluted	12	<u>HK cents[1.26]</u>	<u>HK cents[1.19]</u>	<u>HK cents[0.35]</u>	<u>HK cents[0.52]</u>

Details of dividends are disclosed in Note 11 to the Financial Information.

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Combined Statements of Financial Position

		As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
	Notes			
Non-current assets				
Plant and equipment	13	639	424	976
Deposits and prepayments for life insurance policies	14	2,657	2,725	2,746
Derivative financial instruments	15	101	–	–
		<u>3,397</u>	<u>3,149</u>	<u>3,722</u>
Current assets				
Trade and other receivables	16	16,253	35,277	38,702
Amounts due from customers for contract work	17	9,185	4,761	8,524
Amounts due from related parties	18	10,977	3,732	3,797
Held-for-trading investments	19	13	10	10
Bank balances and cash	20	5,222	7,209	14,840
		<u>41,650</u>	<u>50,989</u>	<u>65,873</u>
Total assets		<u>45,047</u>	<u>54,138</u>	<u>69,595</u>
Current liabilities				
Trade and other payables	21	6,711	7,862	13,956
Derivative financial instruments	15	–	783	584
Amounts due to customers for contract work	17	14,860	15,411	16,680
Amount due to a related party	18	5,619	2,429	926
Borrowings	22	2,174	2,205	6,805
Obligations under finance leases	23	90	102	99
Current tax liabilities		1,926	1,545	2,318
		<u>31,380</u>	<u>30,337</u>	<u>41,368</u>
Net current assets		<u>10,270</u>	<u>20,652</u>	<u>24,505</u>
Total assets less current liabilities		<u>13,667</u>	<u>23,801</u>	<u>28,227</u>
Non-current liabilities				
Derivative financial instruments	15	–	168	–
Obligations under finance leases	23	251	149	358
		<u>251</u>	<u>317</u>	<u>358</u>
Net assets		<u>13,416</u>	<u>23,484</u>	<u>27,869</u>

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		As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2016 <i>HK\$'000</i>	As at 30 June 2016 <i>HK\$'000</i>
	<i>Notes</i>			
Capital and reserves				
Share capital	25	1,007	2	2
Reserves	26	<u>12,651</u>	<u>23,482</u>	<u>27,867</u>
Equity attributable to owners of the Company		13,658	23,484	27,869
Non-controlling interests		<u>(242)</u>	<u>–</u>	<u>–</u>
Total equity		<u><u>13,416</u></u>	<u><u>23,484</u></u>	<u><u>27,869</u></u>

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Statements of Financial Position

		As at 31 March 2016 <i>HK\$’000</i>	As at 30 June 2016 <i>HK\$’000</i>
	<i>Notes</i>		
Current assets			
Cash		—	—
Current liabilities			
Other payables		419	—
Amount due to Ample Construction	24	4,112	4,877
		4,531	4,877
Net liabilities		(4,531)	(4,877)
Capital and reserve			
Equity attributable to owners of the Company			
Share capital	25	—	—
Reserve	26	(4,531)	(4,877)
Total equity		(4,531)	(4,877)

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Combined Statements of Changes in Equity

	<u>Attributable to owners of the Company</u>				Non-	Total
	Share	Special	Retained	Subtotal	controlling	equity
	capital	reserve	profits		interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 25)	(Note 26)				
Balance at 1 April 2014	1,007	–	2,106	3,113	(103)	3,010
Profit/(loss) and total comprehensive income/ (expense) for the year	–	–	10,545	10,545	(139)	10,406
Balance at 31 March 2015	1,007	–	12,651	13,658	(242)	13,416
Profit and total comprehensive income for the year	–	–	9,957	9,957	110	10,067
Issue of shares of a subsidiary	1	–	–	1	–	1
Reorganisation	(1,006)	874	–	(132)	132	–
Balance at 31 March 2016	2	874	22,608	23,484	–	23,484
Profit and total comprehensive income for the period	–	–	4,385	4,385	–	4,385
Balance at 30 June 2016	<u>2</u>	<u>874</u>	<u>26,993</u>	<u>27,869</u>	<u>–</u>	<u>27,869</u>
For the three months ended 30 June 2015 (Unaudited)						
Balance at 1 April 2015	1,007	–	12,651	13,658	(242)	13,416
Profit/(loss) and total comprehensive income/ (expense) for the period	–	–	2,900	2,900	(93)	2,807
Balance at 30 June 2015	<u>1,007</u>	<u>–</u>	<u>15,551</u>	<u>16,558</u>	<u>(335)</u>	<u>16,223</u>

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Combined Statements of Cash Flows

		Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
	Note				
Cash flows from operating activities					
Profit before tax		12,401	13,025	3,412	5,158
Adjustments for:					
– Depreciation of plant and equipment		246	252	63	85
– Dividend income from listed equity securities		–	(1)	–	–
– (Gain)/loss arising on change in fair value of derivative financial instruments		(101)	1,030	–	363
– (Gain)/loss arising on change in fair value of held-for-trading investments		(2)	3	(2)	–
– Gain on disposal of plant and equipment		(35)	–	–	(47)
– Impairment loss recognised on trade receivables		587	718	77	312
– Interest expense		105	137	40	63
– Interest income		–	(2)	–	–
– Interest income on deposits and prepayments for life insurance policies		(72)	(68)	(12)	(21)
– Reversal of impairment loss recognised on trade receivables		–	(77)	–	(275)
Operating cash flows before movements in working capital		13,129	15,017	3,578	5,638
(Increase)/decrease in trade and other receivables		(11,888)	(19,665)	3,485	(3,462)
(Increase)/decrease in amounts due from customers for contract work		(9,185)	4,424	1,385	(3,763)
(Increase)/decrease in amounts due from related parties		(12,753)	7,245	1,825	(65)
Increase/(decrease) in trade and other payables		4,190	1,151	(5,913)	6,094
Increase in amounts due to customers for contract work		14,860	551	5,008	1,269
Increase/(decrease) in amount due to a related party		2,428	(3,190)	(1,544)	(1,503)
Cash generated from operations		781	5,533	7,824	4,208
Interest received		–	2	–	–
Hong Kong Profits Tax paid		(236)	(3,339)	–	–
Net cash generated from operating activities		545	2,196	7,824	4,208

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		Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
	Note				
Cash flows from investing activities					
Dividend received from listed equity securities		–	1	–	–
Net cash from derivatives financial instruments		–	22	–	(730)
Proceeds from disposal of plant and equipment		60	–	–	–
Purchases of plant and equipment		(84)	(37)	(19)	(89)
Net cash used in investing activities		(24)	(14)	(19)	(819)
Cash flows from financing activities					
Interest paid		(105)	(137)	(40)	(63)
Proceeds from issue of shares		–	1	–	–
Proceeds from borrowings		4,380	12,242	3,964	6,099
Repayment of borrowings		(3,440)	(13,240)	(1,245)	(1,522)
Repayment of obligations under finance leases		(119)	(90)	(22)	(295)
Net cash generated from/ (used in) financing activities		716	(1,224)	2,657	4,219
Net increase in cash and cash equivalents		1,237	958	10,462	7,608
Cash and cash equivalents at the beginning of year/period		3,985	5,222	5,222	6,180
Cash and cash equivalents at the end of year/period	20	5,222	6,180	15,684	13,788

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NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2016 as an exempted company with limited liability.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Document. The Company is an investment holding company. The Group is principally engaged in the provision of interior fitting-out, renovation, alteration and addition works services and interior design services.

Throughout the Track Record Period, the group entities were collectively controlled by Mr. Cheung Ka Yan (“Mr. Cheung”) and Mr. Lam Shui Wah (“Mr. Lam”) (collectively referred to as the “Controlling Shareholders”). Through the Reorganisation as more fully explained in the section headed “History, Development and Reorganisation – Reorganisation” to the Document, the Company became the holding company of the companies now comprising the Group on [●]. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the common control of the Controlling Shareholders prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“HK(IFRIC)-Int”) issued by the HKICPA which are effective for the Group’s annual accounting period beginning on 1 April 2016 throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards and amendments that are not yet effective. The Group has not early adopted these standards and amendments.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹

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- ¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
- ³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
- ⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 was issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

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The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact on the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of many of the Group’s lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Financial Information. As set out in Note 28, total operating lease commitments of the Group in respect of rented office premises as at 30 June 2016 amounted to approximately HK\$838,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the Financial Information of the Group.

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3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from fitting-out, renovation, alteration and addition works services income is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Interior design services income is recognised when the services have been rendered.

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

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Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Track Record Period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract work.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract work.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a obligations under finance leases.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair

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value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL) and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the ‘other income, other gains and losses, net’ line item.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and prepayments for life insurance policies, trade and other receivables, amounts due from related parties and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including trade and other payables, amount due to a related party, amount due to Ample Construction, borrowings and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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The following are the key assumptions concerning the futures, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Construction contracts revenue recognition

The Group recognises contract revenue and cost of a construction contract according to the management’s estimation of the progress and outcome of the project. Estimated contract revenue is determined with reference to the terms of the relevant contracts. Estimated contract cost, which mainly comprises direct labour cost, subcontracting charges and costs of materials, is variable and estimated by the management on the basis of estimated cost of direct labour, subcontracting charges and costs of materials from time to time based on quotations provided by the major subcontractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management frequently reviews and revises the estimates of both estimated contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Allowance for trade and other receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the creditworthiness and the past collection history of each customer. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed.

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of interior fitting-out, renovation, alteration and addition works services and interior design services. Since this is the only operating segment of the Group, no further analysis for segment information is presented.

Revenue from major services

The Group’s revenue from its major services were as follows:

	Year ended 31 March 2015 HK\$’000	Year ended 31 March 2016 HK\$’000	Three months ended 30 June 2015 HK\$’000 (Unaudited)	Three months ended 30 June 2016 HK\$’000
Fitting-out and renovation services	98,247	94,644	23,321	19,607
Alteration and addition works services	32,697	39,130	6,801	8,667
Interior design services	3,103	6,945	220	1,978
	<u>134,047</u>	<u>140,719</u>	<u>30,342</u>	<u>30,252</u>

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Geographical information

The Company is domiciled in the Cayman Islands with the Group’s major operations located in Hong Kong. All of the Group’s revenue from external customers during the Track Record Period are derived from Hong Kong, the place of domicile of the Group’s operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the Group’s total revenue during the Track Record Period are as follows:

	Year ended	Year ended	Three	Three
	31 March	31 March	months	months
	2015	2016	ended	ended
	<i>HK\$’000</i>	<i>HK\$’000</i>	30 June	30 June
			2015	2016
			<i>HK\$’000</i>	<i>HK\$’000</i>
			(Unaudited)	
Customer A	57,257	55,415	19,019	N/A ¹
Customer B	14,183	N/A ¹	4,473	N/A ¹
Customer C	14,012	N/A ¹	N/A ¹	N/A ¹
Customer D	N/A ¹	19,119	N/A ¹	N/A ¹
Customer E	N/A ¹	N/A ¹	N/A ¹	6,111

¹ The corresponding revenue did not contribute over 10% of the Group’s total revenue.

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6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Other income				
Bank interest income	–	2	–	–
Dividend income from listed equity securities	–	1	–	–
Interest income on deposits and prepayments for life insurance policies	72	68	12	21
Sundry income	–	–	–	10
	<u>72</u>	<u>71</u>	<u>12</u>	<u>31</u>
Other gains and losses, net				
Gain/(loss) arising on change in fair value of derivative financial instruments	101	(1,030)	–	(363)
Gain/(loss) arising on change in fair value of held-for-trading investments	2	(3)	2	–
Gain on disposal of plant and equipment	<u>35</u>	<u>–</u>	<u>–</u>	<u>47</u>
	<u>138</u>	<u>(1,033)</u>	<u>2</u>	<u>(316)</u>
	<u>210</u>	<u>(962)</u>	<u>14</u>	<u>(285)</u>

7. FINANCE COSTS

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Interest on bank borrowings and overdrafts	80	124	37	49
Interest on finance leases	<u>25</u>	<u>13</u>	<u>3</u>	<u>14</u>
	<u>105</u>	<u>137</u>	<u>40</u>	<u>63</u>

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8. PROFIT BEFORE TAX

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Profit before tax has been arrived at after charging/(crediting):				
Auditors’ remuneration	100	100	25	25
Depreciation of plant and equipment	246	252	63	85
Impairment loss recognised on trade receivables	587	718	77	312
[REDACTED]	–	4,512	–	346
Net foreign exchange losses	–	34	–	–
Operating lease payments in respect of rented premises	425	425	106	120
Reversal of impairment loss recognised on trade receivables	–	(77)	–	(275)
Employee benefits expense:				
Salaries and other benefits	7,850	9,828	2,109	2,397
Contributions to retirement benefit scheme	236	325	72	81
Total employee benefits expense, including directors’ emoluments (<i>Note 10</i>)	<u>8,086</u>	<u>10,153</u>	<u>2,181</u>	<u>2,478</u>

During the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, total employee benefits expense amounting to approximately HK\$4,720,000, HK\$5,257,000, HK\$1,056,000 and HK\$1,281,000 respectively was included in direct costs and amounting to approximately HK\$3,366,000, HK\$4,896,000, HK\$1,125,000 and HK\$1,197,000 respectively was included in administrative and other operating expenses.

9. INCOME TAX EXPENSE

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Current income tax:				
– Hong Kong Profits Tax	2,093	2,945	605	773
(Over)/under-provision in prior years/ periods	<u>(98)</u>	<u>13</u>	<u>–</u>	<u>–</u>
Total income tax recognised in profit or loss	<u>1,995</u>	<u>2,958</u>	<u>605</u>	<u>773</u>

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Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Profit before tax	<u>12,401</u>	<u>13,025</u>	<u>3,412</u>	<u>5,158</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,046	2,149	563	851
Tax effect of temporary differences not recognised	1	14	(10)	(56)
Tax effect of income not taxable for tax purpose	–	(1)	–	(8)
Tax effect of expenses not deductible for tax purpose	2	840	–	57
Tax effect of tax losses not recognised	77	3	51	–
Utilisation of tax losses previously not recognised	–	(60)	–	(74)
Others	(33)	–	1	3
(Over)/under-provision in prior years/ periods	<u>(98)</u>	<u>13</u>	<u>–</u>	<u>–</u>
Income tax expense for the year/period	<u>1,995</u>	<u>2,958</u>	<u>605</u>	<u>773</u>

No deferred tax assets and liabilities are recognised in the Financial Information as the Group did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2015 and 2016 and 30 June 2016.

As at 31 March 2015 and 2016 and 30 June 2016, the Group had unused tax losses of approximately HK\$818,000, HK\$469,000 and HK\$20,000 respectively, subject to agreement by the Inland Revenue Department, that are available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

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10. DIRECTORS’ AND EMPLOYEES’ EMOLUMENTS

(a) Directors’ emoluments

Details of the emoluments paid or payable to directors of the Company during the Track Record Period are as follows:

	Fees HK\$’000	Salaries and other benefits in kind HK\$’000	Discretionary bonuses HK\$’000	Contributions to retirement benefit scheme HK\$’000	Total HK\$’000
For the year ended 31 March 2015					
Executive directors					
Ms. Wong Wan Sze (“Ms. Wong”) (Note (i))	–	300	–	4	304
Mr. Lam (Note (ii))	–	990	–	18	1,008
	–	1,290	–	22	1,312
For the year ended 31 March 2016					
Executive directors					
Ms. Wong (Note (i))	–	300	–	26	326
Mr. Lam (Note (ii))	–	1,440	–	18	1,458
	–	1,740	–	44	1,784
For the three months ended 30 June 2016					
Executive directors					
Ms. Wong (Note (i))	–	75	–	4	79
Mr. Lam (Note (ii))	–	360	–	5	365
	–	435	–	9	444
For the three months ended 30 June 2015 (Unaudited)					
Executive directors					
Ms. Wong (Note (i))	–	75	–	4	79
Mr. Lam (Note (ii))	–	360	–	5	365
	–	435	–	9	444

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Notes:

- (i) Ms. Wong was appointed as executive director of the Company on 5 May 2016. She was also an employee of certain subsidiaries of the Company and the Group paid emoluments to her in her capacity as employee of these subsidiaries during the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016.
- (ii) Mr. Lam was appointed as executive director of the Company on 11 February 2016. He was also a director of certain subsidiaries of the Company and the Group paid emoluments to him in his capacity as directors of these subsidiaries during the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016.
- (iii) Mr. Ng Man Wai, Mr. Wu Wai Ki and Ms. Tsang Ngo Yin were appointed as independent non-executive directors of the Company on [●]. During the Track Record Period, the aforesaid independent non-executive directors have not yet been appointed and received no directors’ remuneration in their capacity as directors.

(b) Employees’ emoluments

Of the five individuals with the highest emoluments in the Group, 1, 1, 1 and 1 of them were directors of the Company for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, respectively whose emoluments are disclosed above. The emoluments in respect of the remaining 4, 4, 4 and 4 individuals for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, respectively were as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (Unaudited)	Three months ended 30 June 2016 HK\$'000
Salaries and other benefits	2,306	2,865	708	771
Discretionary bonuses	587	269	–	–
Contributions to retirement benefit scheme	70	72	18	18
	<u>2,963</u>	<u>3,206</u>	<u>726</u>	<u>789</u>

The emoluments of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	Year ended 31 March 2015	Year ended 31 March 2016	Number of individuals Three months ended 30 June 2015 (Unaudited)	Three months ended 30 June 2016
Nil to HK\$1,000,000	3	3	4	4
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>	<u>–</u>	<u>–</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

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During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation or by other group entities during the Track Record Period.

12. EARNINGS PER SHARE

For the purpose of this report, the calculation of basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of [REDACTED] shares (comprising [REDACTED] shares in issue and [REDACTED] shares to be issued under the [REDACTED] as described in the section headed “Further information about our Company – Written resolutions of the existing Shareholders passed on [25 October 2016]” in Appendix IV “Statutory and General Information” to the Document) as if these [REDACTED] shares were outstanding throughout the Track Record Period.

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the Track Record Period.

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13. PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture , fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
Balance at 1 April 2014	411	74	242	727
Additions	–	18	526	544
Disposals	–	–	(242)	(242)
Balance at 31 March 2015	411	92	526	1,029
Additions	–	37	–	37
Balance at 31 March 2016	411	129	526	1,066
Additions	–	89	759	848
Disposals	–	–	(526)	(526)
Balance at 30 June 2016	411	218	759	1,388
Accumulated depreciation				
Balance at 1 April 2014	113	31	217	361
Depreciation expense	74	14	158	246
Eliminated on disposals	–	–	(217)	(217)
Balance at 31 March 2015	187	45	158	390
Depreciation expense	75	20	157	252
Balance at 31 March 2016	262	65	315	642
Depreciation expense	19	9	57	85
Eliminated on disposals	–	–	(315)	(315)
Balance at 30 June 2016	281	74	57	412
Carrying amounts				
Balance at 31 March 2015	<u>224</u>	<u>47</u>	<u>368</u>	<u>639</u>
Balance at 31 March 2016	<u>149</u>	<u>64</u>	<u>211</u>	<u>424</u>
Balance at 30 June 2016	<u>130</u>	<u>144</u>	<u>702</u>	<u>976</u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

As at 31 March 2015 and 2016 and 30 June 2016, a motor vehicle held under finance leases with a carrying amount of approximately HK\$368,000, HK\$211,000 and HK\$702,000 respectively.

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14. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

The Group entered into two life insurance policies with an insurance company to insure Mr. Cheung and Mr. Lam. Under the policies, Ample Construction is the beneficiary and policy holder and the total insured sum is US\$2,000,000. Ample Construction is required to pay upfront deposits of approximately US\$333,000. Ample Construction can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payments of approximately US\$333,000 plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge. In addition, if withdrawal is made at any time during the first to the fifteenth policy year, as appropriate, a pre-determined specified amount of surrender charge would be imposed. The insurance company will pay Ample Construction a guaranteed interest of 4.0% per annum for the first ten years, followed by guaranteed interest rate of 3.0% or above per annum for the following years.

At 31 March 2015 and 2016 and 30 June 2016, the deposits and prepayments for life insurance policies amounted to approximately HK\$2,657,000, HK\$2,725,000 and HK\$2,746,000 respectively. The deposits and prepayments for life insurance policies are denominated in US\$.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Financial assets			
Foreign currency forward contracts	101	–	–
<i>Represented by:</i>			
Non-current portion	101	–	–
Financial liabilities			
Foreign currency forward contracts	–	(951)	(584)
<i>Represented by:</i>			
Current portion	–	(783)	(584)
Non-current portion	–	(168)	–
	–	(951)	(584)

As at 31 March 2015 and 2016 and 30 June 2016, the Group had outstanding foreign currency forward contracts and the expiry dates are May 2016, ranged from April 2016 to June 2017, and ranged from July 2016 to June 2017 respectively.

The aggregate notional principal amounts of outstanding foreign currency contracts at 31 March 2015 and 2016 and 30 June 2016 were approximately RMB10,080,000, RMB10,733,000 and RMB653,000 respectively.

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16. TRADE AND OTHER RECEIVABLES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Trade receivables	7,797	24,786	28,291
Less: Allowance for doubtful debts	(587)	(1,165)	(1,202)
	<u>7,210</u>	<u>23,621</u>	<u>27,089</u>
Retention receivables	5,731	10,650	11,055
Other receivables, prepayments and deposits	<u>3,312</u>	<u>1,006</u>	<u>558</u>
	<u><u>16,253</u></u>	<u><u>35,277</u></u>	<u><u>38,702</u></u>

The Group allows a credit period ranging from 7 to 30 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, at the end of each of the Track Record Period, is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
0 – 30 days	2,709	17,130	21,138
31 – 60 days	1,424	4,451	2,617
61 – 90 days	2,334	458	2,179
91 – 180 days	454	1,245	1,073
Over 180 days	<u>289</u>	<u>337</u>	<u>82</u>
	<u><u>7,210</u></u>	<u><u>23,621</u></u>	<u><u>27,089</u></u>

Trade receivables disclosed above include amounts which are past due at the end of each of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of trade receivables which are past due but not impaired

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Overdue by:			
1 – 30 days	2,228	4,451	2,615
31 – 60 days	3,294	458	2,179
61 – 90 days	465	445	781
91 – 180 days	454	906	374
Over 180 days	<u>289</u>	<u>231</u>	<u>–</u>
	<u><u>6,730</u></u>	<u><u>6,491</u></u>	<u><u>5,949</u></u>

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Movement in the allowance for doubtful debts

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Balance at beginning of the year/period	–	587	1,165
Impairment losses recognised during the year/period	587	718	312
Amounts written off during the year/period as uncollectible	–	(63)	–
Impairment losses reversed	–	(77)	(275)
	<u>–</u>	<u>(77)</u>	<u>(275)</u>
Balance at end of the year/period	<u>587</u>	<u>1,165</u>	<u>1,202</u>

The individually impaired trade receivables disclosed above relate to customers that have been in default in payment or in financial difficulties in repaying their outstanding balances.

The Group’s policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Age of impaired trade receivables

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Overdue by:			
91 – 180 days	165	–	–
Over 180 days	<u>422</u>	<u>1,165</u>	<u>1,202</u>
	<u>587</u>	<u>1,165</u>	<u>1,202</u>

Except for retention receivables of approximately HK\$5,223,000, HK\$4,205,000 and HK\$2,141,000 as at 31 March 2015 and 2016 and 30 June 2016 respectively, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

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17. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Contracts in progress at the end of each of the reporting period:			
Contract costs incurred plus recognised profits less recognised losses	109,214	206,551	211,867
Less: Progress billings	(114,889)	(217,201)	(220,023)
	<u>(5,675)</u>	<u>(10,650)</u>	<u>(8,156)</u>
Analysed for reporting purposes as:			
Amounts due from customers for contract work	9,185	4,761	8,524
Amounts due to customers for contract work	(14,860)	(15,411)	(16,680)
	<u>(5,675)</u>	<u>(10,650)</u>	<u>(8,156)</u>

At 31 March 2015 and 2016 and 30 June 2016, retentions held by customers for contract work amounted to approximately HK\$5,731,000, HK\$10,650,000 and HK\$11,055,000 respectively as set out in Note 16. Retention monies withheld by customers of contract works are released after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

18. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Amounts due from related parties:			
Ample Consultants & Contracting Company Limited (Note (i))	2	—	—
Ample Interiors Limited (Note (ii))	3	—	—
Ample Group Limited (Note (i))	6,177	—	—
Andiamo Lighting Company Limited (Note (ii))	3	—	—
Heavenly White Limited (Note (ii))	—	—	1
Summer Unicorn Limited (Note (iii))	—	—	1
Mr. Lam (Note (iv))	4,792	3,732	3,795
	<u>10,977</u>	<u>3,732</u>	<u>3,797</u>
Maximum amount outstanding during the year/period:			
Ample Consultants & Contracting Company Limited (Note (i))	2	2	—
Ample Interiors Limited (Note (ii))	3	3	—
Ample Group Limited (Note (i))	6,177	6,239	—
Andiamo Lighting Company Limited (Note (ii))	3	3	—
Heavenly White Limited (Note (ii))	—	—	1
Summer Unicorn Limited (Note (iii))	—	—	1
Mr. Lam (Note (iv))	8,851	5,195	3,795
	<u>8,851</u>	<u>5,195</u>	<u>3,795</u>
Amount due to a related party:			
Mr. Cheung (Note (iv))	5,619	2,429	926
	<u>5,619</u>	<u>2,429</u>	<u>926</u>

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The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

Notes:

- (i) Controlled by the Controlling Shareholders
- (ii) Controlled by Mr. Cheung, the Controlling Shareholder
- (iii) Controlled by Mr. Lam, the Controlling Shareholder
- (iv) Controlling Shareholder

19. HELD-FOR-TRADING INVESTMENTS

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Listed securities			
– Equity securities listed in Hong Kong	13	10	10

The fair values of the equity securities held for trading were determined based on the quoted market prices in an active market.

20. CASH AND CASH EQUIVALENTS

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Bank balances and cash presented in the combined statements of financial position	5,222	7,209	14,840
Less: bank overdrafts (<i>Note 22</i>)	–	(1,029)	(1,052)
Cash and cash equivalents presented in the combined statements of cash flows	5,222	6,180	13,788

Bank balances earn interests at floating rate based on daily bank deposit rates and are placed with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Trade payables	6,603	5,304	11,612
Other payables and accruals	108	2,558	2,344
	6,711	7,862	13,956

The credit period on trade payables are generally 0 to 30 days.

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The ageing analysis of trade payables, presented based on the invoice date, at the end of each of the Track Record Period, is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
0 – 30 days	3,496	3,296	6,725
31 – 60 days	990	1,304	3,370
61 – 90 days	1,349	190	442
91 – 180 days	611	488	725
Over 180 days	157	26	350
	<u>6,603</u>	<u>5,304</u>	<u>11,612</u>

22. BORROWINGS

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Bank loans – secured	2,174	1,176	5,753
Bank overdrafts	–	1,029	1,052
	<u>2,174</u>	<u>2,205</u>	<u>6,805</u>
Carrying amounts repayable*:			
On demand or within one year	1,428	1,713	6,378
More than one year, but not exceeding two years	254	264	267
More than two years, but not exceeding five years	492	228	160
	<u>2,174</u>	<u>2,205</u>	<u>6,805</u>
Amount shown under current liabilities	<u>2,174</u>	<u>2,205</u>	<u>6,805</u>

* The amounts due are presented based on scheduled repayment dates set out in the loan agreements.

Notes:

- (i) Included in the bank loans of approximately HK\$989,000, HK\$745,000 and HK\$683,000 as at 31 March 2015 and 2016 and 30 June 2016 respectively, contain a repayment on demand clause with variable interest rate and are included in current liabilities. The remaining bank borrowings are repayable within one year and bear variable interest rates.
- (ii) As at 31 March 2015 and 2016 and 30 June 2016, the bank loans bear interest at rates ranging from 4.0% to 4.5% per annum, 4.0% to 4.5% per annum, and 4.0% to 4.5% per annum respectively.
- (iii) As at 31 March 2015 and 2016 and 30 June 2016, the bank overdrafts bear interest at nil, 6.0% per annum and 4.25% per annum respectively.

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- (iv) The banking facilities of the Company granted by certain banks were secured by the following:
- charges over life insurance policies of the Company as disclosed in Note 14;
 - guarantee issued by The Hong Kong Mortgage Corporation Limited, amounting to approximately HK\$8,000,000;
 - a personal guarantee and indemnity given by each of the Controlling Shareholders; and
 - all monies first legal charge and an assignment of insurance policy in respect of the property owned by the Controlling Shareholders.

23. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicle under finance leases. The original lease term is 5 years and the remaining lease term as at 31 March 2015 and 2016 and 30 June 2016 is 3.5 years, 2.5 years and 4.5 years respectively. Interest rate underlying all obligations under finance leases are fixed at the respective contract dates ranging from 2.0% to 2.25% per annum. No arrangements have been entered into for contingent rental payments.

At 31 March 2015 and 2016 and 30 June 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Amounts payable under finance leases:						
Within one year	103	111	115	90	102	99
In the second to fifth years, inclusive	<u>265</u>	<u>154</u>	<u>381</u>	<u>251</u>	<u>149</u>	<u>358</u>
Total minimum finance lease payments	368	265	496	341	251	457
Less: future finance charges	<u>(27)</u>	<u>(14)</u>	<u>(39)</u>			
Present value of lease obligations	<u>341</u>	<u>251</u>	<u>457</u>			
Less: Amount due for settlement within 12 months shown under current liabilities				<u>(90)</u>	<u>(102)</u>	<u>(99)</u>
Amount due for settlement after 12 months				<u>251</u>	<u>149</u>	<u>358</u>

The Group's obligations under finance leases are secured by a personal guarantee provided by Mr. Cheung, the Controlling Shareholder. Obligations under finance leases are denominated in HK\$.

24. AMOUNT DUE TO AMPLE CONSTRUCTION

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

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25. SHARE CAPITAL

For the purpose of the preparation of the combined statements of financial position, the balance of share capital:

- At 31 March 2015 represents the aggregate of the paid up share capital of Ample Construction and Ample Design held by the Controlling Shareholders, prior to the completion of Reorganisation; and
- At 31 March 2016 and 30 June 2016 represents the aggregate of the paid up share capital of the Company and Thrive Tide held by the Controlling Shareholders, prior to the completion of Reorganisation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 February 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One share was allotted and issued fully-paid to the subscriber on 11 February 2016, and was subsequently transferred to Summer Unicorn Limited on the same date. On 11 February 2016, Heavenly White Limited subscribed for one fully-paid share, resulting in each of Summer Unicorn Limited and Heavenly White Limited holding one fully-paid share immediately after the above allotments and share transfer.

26. RESERVES

The Group

Special reserve

Special reserve represents (i) the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid for the acquisition of additional 30% interest in Ample Design, and (ii) the sum of the share capital of Ample Construction and Ample Design which have been transferred to special reserve as part of the Reorganisation set out in Note 1.

The Company

	Accumulated losses HK\$’000
Balance at 11 February 2016 (date of incorporation)	–
Loss and total comprehensive expense for the period	<u>(4,531)</u>
Balance at 31 March 2016	(4,531)
Loss and total comprehensive expense for the period	<u>(346)</u>
Balance at 30 June 2016	<u><u>(4,877)</u></u>

27. RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustees.

For members of the MPF Scheme, the Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

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The only obligation of the Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the combined statements of profit or loss and other comprehensive income amounted to approximately HK\$236,000, HK\$325,000, HK\$72,000 and HK\$81,000 for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively and represent contributions paid or payable to the MPF Scheme by the Group in respect of the Track Record Period.

28. OPERATING LEASE COMMITMENTS

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Within one year	425	–	479
In the second to fifth years inclusive	–	–	359
	<u>425</u>	<u>–</u>	<u>838</u>

Operating lease relates to office premises with lease term of two years and the rentals are fixed throughout the lease period.

29. SURETY BONDS AND CONTINGENT LIABILITIES

Certain customers of construction contracts undertaken by the Group require Ample Construction to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK\$7,416,000, HK\$2,984,000 and HK\$1,149,000 as at 31 March 2015 and 2016 and 30 June 2016 respectively. Ample Construction, Ample Group Limited, a company wholly-owned by the Controlling Shareholders and/or the Controlling Shareholders, have unconditionally and irrevocably agreed to indemnify to the insurance companies that issue such surety bonds for claims and losses the insurance companies may incur in respect of the bonds. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

As at 31 March 2015 and 2016 and 30 June 2016, the Group paid a cash collateral of approximately HK\$3,230,000, HK\$924,000 and HK\$374,000 respectively to the insurance companies for the issuance of surety bonds and are included in other receivables, prepayments and deposits (Note 16).

30. RELATED PARTY DISCLOSURES

(i) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 18.

(ii) Guarantees provided by related parties

The tenancy agreement of the Company was secured by a personal guarantee provided by Mr. Cheung, the Controlling Shareholder.

Except for the above, details of personal guarantees provided by the Controlling Shareholders in connection with the surety bonds, banking facilities and finance leases facilities granted to the Group at the end of each of the Track Record Period are set out in Note 29, Note 22 and Note 23 respectively.

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(iii) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Track Record Period was as follows:

	Year ended 31 March 2015 HK\$'000	Year ended 31 March 2016 HK\$'000	Three months ended 30 June 2015 HK\$'000 (unaudited)	Three months ended 30 June 2016 HK\$'000
Short-term employee benefits	3,851	4,551	1,056	1,263
Post-employment benefits	<u>82</u>	<u>109</u>	<u>24</u>	<u>29</u>
	<u>3,933</u>	<u>4,660</u>	<u>1,080</u>	<u>1,292</u>

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes borrowings and obligations under finance leases, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis by considering the cost of capital and the risks associated with the capital. In view of this, the Group manages its overall capital structure through the payment of dividends and the issue of new shares.

The net debt to equity ratio at the end of each of the Track Record Period is as follows:

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
Debts (<i>Note (i)</i>)	2,515	2,456	7,262
Less: Bank balances and cash (<i>Note (ii)</i>)	<u>(5,222)</u>	<u>(7,209)</u>	<u>(14,840)</u>
Net debt	<u>(2,707)</u>	<u>(4,753)</u>	<u>(7,578)</u>
Equity (<i>Note (iii)</i>)	<u>13,658</u>	<u>23,484</u>	<u>27,869</u>
Net debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

- (i) Debts represent borrowings and obligations under finance leases as detailed in Notes 22 and 23 respectively.
- (ii) Bank balances and cash as detailed in Note 20.
- (iii) Equity includes all capital and reserves attributable to owners of the Company.

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32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 March 2015 HK\$'000	As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
The Group			
Financial assets			
Loans and receivables (including bank balances and cash)	35,109	48,943	60,027
Financial assets at fair value through profit or loss	114	10	10
	<u>35,223</u>	<u>48,953</u>	<u>60,037</u>
Financial liabilities			
Financial liabilities at amortised cost	14,845	12,747	22,144
Financial liabilities at fair value through profit or loss	–	951	584
	<u>14,845</u>	<u>13,698</u>	<u>22,728</u>
		As at 31 March 2016 HK\$'000	As at 30 June 2016 HK\$'000
The Company			
Financial liabilities			
Financial liabilities at amortised cost		<u>4,531</u>	<u>4,877</u>

(b) Financial risk management objectives and policies

The Group’s major financial instruments include deposits and prepayments for life insurance policies, derivative financial instruments, trade and other receivables, amounts due from related parties, held-for-trading investments, bank balances and cash, trade and other payables, amount due to a related party, borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Foreign currency risk management

During the Track Record Period, the majority of the Group’s transactions and balances as at and for the Track Record Period were denominated in Hong Kong dollars. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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In virtue of the exposure on foreign currency risk being minimal, the respective quantitative disclosures have not been prepared.

(ii) Interest rate risk management

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s interest-bearing financial assets and financial liabilities. Interest-bearing financial assets and financial liabilities are mainly deposits and certain borrowings with banks respectively. Deposits and borrowings with banks carrying interest at variable rate expose the Group to cash flow interest rate risk.

The Group’s deposits for life insurance policies are based on fixed interest rates. The directors of the Company consider the fixed interest deposits for life insurance policies are not subject to significant fair value interest rate risk.

As the Group has no significant variable-rate interest-bearing financial assets and financial liabilities, except for short-term bank deposits and bank borrowings, the Group’s income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets and financial liabilities resulted from the changes in interest rates because the interest rates of bank deposits and bank borrowings are relatively low and not expected to change significantly.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In virtue of the exposure on interest rate risk being minimal, the respective quantitative disclosures have not been prepared.

(iii) Price risk

The Group is exposed to equity price risk mainly through its investments in listed equity securities. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments. The Group currently does not have a policy on hedges of equity price risk. However, the management monitors equity price exposure and will consider hedging significant equity price exposure should the need arise.

In virtue of the exposure on equity price risk being minimal, the respective quantitative disclosures have not been prepared.

Credit risk management

At the end of each of the Track Record Period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management consider that the Group’s credit risk is significantly reduced.

The Group’s credit risk exposure is spread over a number of customers, accordingly, the Group has no significant concentration of credit risk on a single customer in this respect.

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The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

At 31 March 2015 and 2016 and 30 June 2016, the Group has available unutilised bank overdrafts, business card, and short-term and medium-term loan facilities with an aggregated amount of approximately HK\$14,725,000, HK\$12,140,000 and HK\$7,478,000 respectively.

Liquidity tables

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause give the bank the unconditional right to call in the loan at any time. Therefore, for the purpose of the below maturity profile, the amounts are classified as “On demand”.

	Weighted average effective interest rate	On demand or within one year HK\$’000	Over one year HK\$’000	Total undiscounted cash flows HK\$’000	Total carrying amount HK\$’000
The Group					
Non-derivative financial liabilities					
As at 31 March 2015					
Trade and other payables	–	6,711	–	6,711	6,711
Amount due to a related party	–	5,619	–	5,619	5,619
Borrowings	4.3%	2,254	–	2,254	2,174
Obligations under finance leases	5.4%	103	265	368	341
		<u>14,687</u>	<u>265</u>	<u>14,952</u>	<u>14,845</u>
As at 31 March 2016					
Trade and other payables	–	7,862	–	7,862	7,862
Amount due to a related party	–	2,429	–	2,429	2,429
Borrowings	4.1%	2,249	–	2,249	2,205
Obligations under finance leases	5.4%	111	154	265	251
		<u>12,651</u>	<u>154</u>	<u>12,805</u>	<u>12,747</u>

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	Weighted average effective interest rate	On demand or within one year <i>HK\$'000</i>	Over one year <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amount <i>HK\$'000</i>
As at 30 June 2016					
Trade and other payables	–	13,956	–	13,956	13,956
Amount due to a related party	–	926	–	926	926
Borrowings	4.1%	6,842	–	6,842	6,805
Obligations under finance leases	4.8%	115	381	496	457
		<u>21,839</u>	<u>381</u>	<u>22,220</u>	<u>22,144</u>
The Company					
Non-derivative financial liabilities					
As at 31 March 2016					
Other payables	–	419	–	419	419
Amount due to Ample Construction	–	4,112	–	4,112	4,112
		<u>4,531</u>	<u>–</u>	<u>4,531</u>	<u>4,531</u>
As at 30 June 2016					
Amount due to Ample Construction		<u>4,877</u>	<u>–</u>	<u>4,877</u>	<u>4,877</u>

(c) Fair value measurements of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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The following table presents the Group’s financial assets and liabilities that are measured at fair value as at 31 March 2015 and 2016 and 30 June 2016.

	Level 1 HK\$’000	Level 2 HK\$’000	Level 3 HK\$’000	Total HK\$’000
As at 31 March 2015				
Financial assets				
Derivative financial instruments – foreign currency forward contracts	–	101	–	101
Financial assets held for trading – listed equity securities	13	–	–	13
	<u>13</u>	<u>101</u>	<u>–</u>	<u>114</u>
As at 31 March 2016				
Financial assets				
Financial assets held for trading – listed equity securities	10	–	–	10
	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
Financial liabilities				
Derivative financial instruments – foreign currency forward contracts	–	951	–	951
	<u>–</u>	<u>951</u>	<u>–</u>	<u>951</u>
As at 30 June 2016				
Financial assets				
Financial assets held for trading – listed equity securities	10	–	–	10
	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
Financial liabilities				
Derivative financial instruments – foreign currency forward contracts	–	584	–	584
	<u>–</u>	<u>584</u>	<u>–</u>	<u>584</u>

There were no investments classified under Level 3 and there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the Track Record Period.

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B. DIRECTORS’ REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company’s directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company’s directors for the year ending 31 March 2017 is expected to be approximately HK\$[2,091,000].

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2016:

- (i) The Reorganisation as set out in Note 1 of Section A was completed on [●].
- (ii) The Company adopted a share option scheme on [●], a summary of the terms and conditions of which are set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Document.
- (iii) On [●], the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional 962,000,000 shares of HK\$0.01 each.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2016.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

[●]

Practising Certificate Number: [●]
Hong Kong