

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited combined financial information, including the notes thereto, as set out in the Accountants’ Report in Appendix I to this document. Our combined financial information have been prepared in accordance with HKFRSs. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.*

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

### OVERVIEW

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

Our fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, our scope of works during the Track Record Period was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement. Ample Design, our design department, provides interior design services to clients and derived a small portion of revenue to our Group during the Track Record Period. The following table summarises our revenue by type of services breakdown:

	For the year ended 31 March				For the three months ended 30 June			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Fitting-out and renovation services	98,247	73.3	94,644	67.3	23,321	76.9	19,607	64.8
A&A works	32,697	24.4	39,130	27.8	6,801	22.4	8,667	28.7
Interior design services	3,103	2.3	6,945	4.9	220	0.7	1,978	6.5
Total	<u>134,047</u>	<u>100</u>	<u>140,719</u>	<u>100</u>	<u>30,342</u>	<u>100</u>	<u>30,252</u>	<u>100</u>

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For the years ended 31 March 2015 and 2016, our net profit decreased slightly from approximately HK\$10,406,000 to approximately HK\$10,067,000, representing a decline of approximately 3.3%. If the effect of the [REDACTED], approximately HK\$[REDACTED] of which was charged to profit or loss for the year ended 31 March 2016, were not taken into account and for illustration purpose only, our net profit for the year ended 31 March 2016 would have increased by approximately 40.1% as compared to the year ended 31 March 2015. For the three months ended 30 June 2016, our net profit increased from approximately HK\$2,807,000 to approximately HK\$4,385,000 for the same period in 2015, representing a growth of approximately 56.2%.

### BASIS OF PRESENTATION

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

Throughout the Track Record Period, the entities of our Group were collectively controlled by Mr. Cheung and Mr. Lam. Through the Reorganisation, details of which are set out in the section headed “History, Development and Reorganisation” in this document, our Company became the holding company of the companies now comprising our Group on 20 December 2016. Accordingly, for the purposes of preparing the combined financial statements of our Group for the Track Record Period, our Company has been considered as the holding company of the companies now comprising our Group throughout the Track Record Period. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Our Group was under the control of the Controlling Shareholders prior to and after the Reorganisation.

The combined financial statements of our Group for the Track Record Period have been prepared as if our Company had been the holding company of our Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants. 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 our 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 our Group as if the current group structure had been in existence at those dates.

The combined financial statements of our Group are presented in HK\$, which is the same as the functional currency of our Company.

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### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

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

#### **Market demand for fitting-out and renovation, and A&A works**

Our operations and management are currently located in Hong Kong. The future growth and level of profitability of the fitting-out and renovation, A&A industry in Hong Kong are likely to depend primarily upon the continuing demand of fitting-out and renovation, A&A works. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, customer expenditure on the fitting-out and renovation, A&A works and the general conditions and prospects of the economy of Hong Kong. These factors may affect the general demand of fitting-out and renovation, A&A projects from public sector and private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or should the demand for fitting-out and renovation, A&A works in Hong Kong deteriorate, our operations and profits could be adversely affected.

#### **Our ability to maintain a continuing flow of projects**

A majority of our fitting-out, renovation and A&A projects were awarded after going through a competitive bidding process in which we believe our competitors will submit tenders and quotations along with ours. Our future income is therefore dependent on the ability to maintain a continuing flow of new projects while we complete existing projects on hand. In general, our fitting-out, renovation and A&A projects are non-recurring in nature and we need to pursue new customers for future business who may have different pre-requisite requirements in selecting contractors. Even if we are able to meet the pre-requisite requirements for tendering specific projects or invited for submitting quotations, there is no assurance that we would be invited to or would be made aware of the tender process or that the terms and conditions of the new contracts would be comparable to the existing contracts, or our tenders would ultimately be selected by customers. In the competitive bidding process, we may have to lower our contract prices or offer more favourable terms to our customers to enhance the competitiveness of our tenders or quotations. If we are unable to obtain new contracts continuously, our business, financial conditions and results of operations may be materially and adversely affected.

#### **Pricing of our projects**

Our Directors determine the tender price or quotations by adopting the cost-plus approach, whereby we estimate the total cost of the projects and add a profit margin on top. Please refer to the section headed “Business – Operating procedures – Pricing of our quotations” of this document for information on our cost-plus approach in determining our price. The profit margin would affect the competitiveness of our tenders as well as our profitability if the tender is subsequently awarded to our Group.

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### **Accuracy of estimating cost and time in preparing our tenders and fluctuation in direct costs**

In order to determine our tender price or quotation, we firstly estimate the cost and time to be involved in the project. Although we use our best endeavours by taking into account all available information to estimate the cost and time as we consider them accurate, material deviation in actual cost can still happen due to (i) significant variations instructed by the client; (ii) adverse weather condition; (iii) accidents; (iv) adverse site conditions; (v) departure of key project management personnel; and (vi) delay or default by our suppliers or subcontractors, which may be out of our Group's control. In addition, most of our projects are lump sum contracts, i.e. our Group will have to bear all fluctuations of our labour and materials costs from the projects commencement to their completion, and we normally finalise our engagements with our suppliers and subcontractors after we are engaged by our customers, subcontracting costs and materials price quoted by our suppliers and subcontractors may still be subject to adverse change until we enter into binding agreements with them. Any material departure from our original estimation in time and costs for a project may lead to cost overruns and adversely affect our financial condition and profitability.

We have in the past relied on and expect to continue to rely on our subcontractors and materials suppliers to complete most of the works and deliver materials for our projects. Our direct costs mainly include subcontracting and materials costs, which amounted to approximately HK\$107,631,000, HK\$99,348,000 and HK\$19,211,000 or 93.4%, 89.7% and 85.9% of our total direct costs for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. We cannot assure you that there will not be any fluctuations in the subcontracting and materials costs during such period in the future, the occurrence of which may materially and adversely affect our business, financial conditions and results of operations.

### **Collectability and timing of collection of our trade and retention receivables**

We are inherently subject to credit risk from our customers and we cannot assure you our customers will settle our invoices on time and in full. In certain of our fitting-out, renovation and A&A projects, a small percentage of our invoiced amount is kept by our customers as retention money which will only be remitted to us after completion of the project and the applicable defects liability period lapses. There can be no assurance that the retention money will be remitted by our customers to us on a timely basis and in full as well. Any late payment, whether arising from payment practice of our customers or delay in completion of the project, may adversely affect our cashflow and liquidity.

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### *Sensitivity analysis*

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in subcontracting and materials costs under direct costs for the respective periods during the Track Record Period:

#### **Hypothetical fluctuations**

	<b>-17.7%</b> <i>HK\$'000</i>	<b>-7.7%</b> <i>HK\$'000</i>	<b>7.7%</b> <i>HK\$'000</i>	<b>17.7%</b> <i>HK\$'000</i>
<i>(Decrease)/increase in the subcontracting and material costs</i>				
For the year ended 31 March 2015	(19,051)	(8,288)	8,288	19,051
For the year ended 31 March 2016	(17,585)	(7,650)	7,650	17,585
For the three months ended 30 June 2016	(3,400)	(1,479)	1,479	3,400
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Increase/(decrease) in profit after income tax</i>				
For the year ended 31 March 2015	15,907	6,920	(6,920)	(15,907)
For the year ended 31 March 2016	14,683	6,388	(6,388)	(14,683)
For the three months ended 30 June 2016	2,839	1,235	(1,235)	(2,839)

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

Our combined financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set forth in Note 3 of Section A of the Accountants' Report in Appendix I to this document.

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In addition, the preparation of the financial information requires our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016. However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affect in the future. These key assumptions and estimates are set forth in Note 4 of Section A of the Accountants’ Report in Appendix I to this document.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the financial information.

### **Revenue recognition**

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

Revenue from fitting-out, renovation, A&A works service 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 value of work performed. For the projects which we submit monthly payment application, we recognise revenue to the extent which our works are approved or certified by our customers with reference to the value of works in our payment application. For the projects with milestone payments, we recognise revenue to the extent that after we issue invoice upon achieving the respective project milestone.

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

### **Construction contracts**

Please refer to the paragraph headed “Construction contracts” in Note 3 to the Section A of the Accountants’ Report as set out in Appendix I to this document.

### **Allowance for trade and other receivables**

We make 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 judgment 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.

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For the years ended 31 March 2015 and 2016 and for the three months ended 30 June 2016, we recognised impairment loss on trade receivables amounted to approximately HK\$587,000, HK\$718,000 and HK\$312,000, respectively.

### **Fitting-out, renovation and A&A contracts**

Our Group reviews and revises the estimates of budgeted costs for each fitting-out, renovation and A&A contract as it progresses. Budgeted costs are prepared by the management on the basis of quotations provided by subcontractors and materials suppliers, their experience of similar projects on the initial start-up costs involved for the project and the wages of our project management team directly relate to the projects. Our management periodically reviews and updates the budgeted costs with reference to the actual costs incurred up-to-date. Such significant estimate may have an impact on the profit or loss recognised in each period.

Recognised revenue and related receivables reflect management’s best estimate of each contract’s outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going project. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

### **Other significant accounting policies, estimates and judgments**

Please refer to Notes 3 and 4 to Section A of the Accountants’ Report in Appendix I to this document for other significant accounting policies and estimates applied in preparing our combined financial statements.

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### RESULTS OF OPERATIONS OF OUR GROUP

Set forth below are a summary of our Group’s combined statements of profit or loss and other comprehensive income for the periods indicated, extracted from the Accountants’ Report included as Appendix I to this document.

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	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	210	(962)	14	(285)
Administrative and other operating expenses	(6,471)	(15,818)	(1,767)	(2,375)
Finance costs	<u>(105)</u>	<u>(137)</u>	<u>(40)</u>	<u>(63)</u>
Profit before tax	12,401	13,025	3,412	5,158
Income tax expense	<u>(1,995)</u>	<u>(2,958)</u>	<u>(605)</u>	<u>(773)</u>
<b>Profit and total comprehensive income for the year/period</b>	<u>10,406</u>	<u>10,067</u>	<u>2,807</u>	<u>4,385</u>
<b>Profit/(loss) and total comprehensive income/ (expense) for the year/ period attributable to:</b>				
Owners of our 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>



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### DESCRIPTION OF SELECTED COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue is principally generated from provision of (i) interior fitting-out and renovation services; and (ii) A&A works for residential, industrial and commercial properties in Hong Kong. During the Track Record Period, we completed a total of 74 fitting-out and renovation projects and 132 A&A projects. As at the Latest Practicable Date, our Group had 14 fitting-out and renovation projects and 23 A&A projects on hand. We also derive a small portion of our revenue from providing interior design services. The following table summarises our revenue breakdown:

	For the year ended 31 March				For the three months ended 30 June			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Fitting-out and renovation services	98,247	73.3	94,644	67.3	23,321	76.9	19,607	64.8
A&A works ( <i>Note</i> )	32,697	24.4	39,130	27.8	6,801	22.4	8,667	28.7
Interior design services	3,103	2.3	6,945	4.9	220	0.7	1,978	6.5
Total	<u>134,047</u>	<u>100</u>	<u>140,719</u>	<u>100</u>	<u>30,342</u>	<u>100</u>	<u>30,252</u>	<u>100</u>

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

Generally, we conduct our project works in premises which are either in the residential or commercial and industrial sector. The following table sets forth a summary of our revenue generated from the sector where our projects belong to:—

	For the year ended 31 March				For the three months ended 30 June			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Residential	24,061	17.9	23,761	16.9	3,404	11.2	11,984	39.6
Commercial and industrial	109,986	82.1	116,958	83.1	26,938	88.8	18,268	60.4
	<u>134,047</u>	<u>100</u>	<u>140,719</u>	<u>100</u>	<u>30,342</u>	<u>100</u>	<u>30,252</u>	<u>100</u>

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Revenue from residential projects represented approximately 17.9%, 16.9% and 39.6% of our total revenue, respectively, while revenue from commercial and industrial projects represented approximately 82.1%, 83.1% and 60.4% of our total revenue for each of the years ended 31 March 2015 and 2016 and for the three months ended 30 June 2016, respectively.

### *Revenue from fitting-out and renovation works*

The following table sets out the list of major projects with contract sum<sup>(1)</sup> above HK\$5 million in relation to fitting-out and renovation works carried out by us, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the ratio of revenue recognised to total contract sum (including the value of any variation order), as at 30 June 2016:

No.	Project	Project sector	Revenue for the year ended 31 March		Revenue for the three months ended 30 June 2016	Total revenue recognised during the Track Record Period	Percentage of completion as at 30 June 2016
			2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	HK\$'000	%
1	P804	Commercial and industrial	4,171	1,594	–	5,765	100%
2	P827	Commercial and industrial	11,343	–	500	11,843	100%
3	P852	Commercial and industrial	16,292	3,386	638	20,316	100%
4	P859	Commercial and industrial	13,170	8,282	–	21,452	100%
5	P871	Commercial and industrial	33,636	5,650	803	40,089	92.7%
6	P914	Commercial and industrial	–	28,773	–	28,773	87.9%
7	P961	Commercial and industrial	–	6,559	6,111	12,670	24.4%
8	P966	Commercial and industrial	–	18,492	1,159	19,651	100%
9	P1021	Residential	–	–	2,763	2,763	50.0%

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

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### Revenue from A&A works

The following table sets out the list of major projects with contract sum<sup>(1)</sup> above HK\$5 million in relation to A&A works carried out by us, which includes the details of each project such as the revenue recognised during the Track Record Period and the percentage of completion by reference to the stage of completion of the contract, which is established according to the ratio of revenue recognised to total contract sum (including the value of any variation order), as at 30 June 2016:

No.	Project	Project sector	Revenue for the year ended 31 March		Revenue for the three months ended 30 June	Total revenue recognised during the Track Record Period	Percentage of completion as at 30 June 2016
			2015	2016			
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
1	P749	Residential	2,930	–	–	2,930	100%
2	P863	Residential	8,757	1,450	–	10,207	100%
3	P876	Commercial and industrial	7,113	17,254	–	24,367	88.4%
4	P927	Residential	–	7,548	202	7,750	95.4%
5	P1006	Residential	–	–	2,046	2,046	20.1%

We also derived a small portion of our revenue from providing interior design services. Interior design services accounted for approximately HK\$3,103,000, HK\$6,945,000 and HK\$1,978,000 or 2.3%, 4.9% and 6.5% of our total revenue for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively.

### Direct costs

Our Group's direct costs comprised (i) direct labour costs; (ii) subcontracting and materials costs; and (iii) other direct costs. The following table sets out the breakdown of our Group's direct costs during the Track Record Period:

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Direct labour costs	4,720	5,257	1,056	1,281
Subcontracting and materials costs	107,631	99,348	23,343	19,211
Other miscellaneous direct costs	2,929	6,172	738	1,879
	<u>115,280</u>	<u>110,777</u>	<u>25,137</u>	<u>22,371</u>

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

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### *Direct labour costs*

Direct labour costs mainly represent the compensation and benefits provided to the staff of our project team and design department. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our direct labour costs amounted to approximately HK\$4,720,000, HK\$5,257,000 and HK\$1,281,000, respectively, representing approximately 4.1%, 4.7% and 5.7% of our total direct costs for the corresponding period, respectively.

### *Subcontracting and materials costs*

Our suppliers are broadly categorised into (i) materials suppliers; and (ii) subcontractors. Subcontracting and materials costs represent the costs incurred by our suppliers in the course of our fitting-out, renovation and A&A projects.

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our subcontracting and materials costs amounted to approximately HK\$107,631,000, HK\$99,348,000 and HK\$19,211,000, respectively, representing approximately 93.4%, 89.7% and 85.9% of our total direct costs for the corresponding period, respectively.

### *Other miscellaneous direct costs*

Other miscellaneous direct costs include less significant direct costs for carrying out the services undertaken by us, which mainly include insurance and medical expenses, consultancy fees, electricity and travelling expenses. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our other direct costs amounted to approximately HK\$2,929,000, HK\$6,172,000 and HK\$1,879,000, respectively, representing approximately 2.5%, 5.6% and 8.4% of our total direct costs for the corresponding period, respectively.

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### Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by service type for the periods indicated:–

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
<b>Gross profit</b>				
Fitting-out and renovation services	13,362	23,519	4,060	4,581
A&A works	4,534	2,948	1,383	2,156
Interior design services	871	3,475	(238)	1,144
<b>Total</b>	<u>18,767</u>	<u>29,942</u>	<u>5,205</u>	<u>7,881</u>
<b>Gross profit margin</b>				
Fitting-out and renovation services	13.6%	24.8%	17.4%	23.4%
A&A works	13.9%	7.5%	20.3%	24.9%
Interior design services	28.1%	50.0%	(108.2)%	57.8%
<b>Overall</b>	14.0%	21.3%	17.2%	26.1%

### Other income, other gains and losses, net

Our other income comprises (i) bank interest income; (ii) dividend income from listed equity securities; (iii) interest income on deposits and prepayments for life insurance policies; and (iv) sundry income. Our other gains and losses, net comprises (i) gain or loss arising on change in fair value of derivative financial instruments; (ii) gain or loss on change in fair value of held-for-trading investments; and (iii) gain on disposal of plant and equipment.

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### Administrative and other operating expenses

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our administrative and other operating expenses amounted to approximately HK\$6,471,000, HK\$15,818,000 and HK\$2,375,000, respectively. The following table sets forth the breakdown of administrative and other operating expenses for the periods indicated:

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Salaries and other benefits	2,054	3,112	681	753
Directors' remuneration	1,312	1,784	444	444
[REDACTED]	–	4,512	–	346
Depreciation	246	252	63	85
Impairment loss on trade receivables	587	718	77	312
Provision of legal claims	–	2,013	–	–
Legal and professional fee	165	1,181	44	184
Rent and rates	425	425	106	120
Others	1,682	1,821	352	131
	<u>6,471</u>	<u>15,818</u>	<u>1,767</u>	<u>2,375</u>

### Finance costs

The following table sets out the finance costs of our Group during the Track Record Period:

	For the year ended 31 March		For the three month ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest on bank borrowings and overdrafts	80	124	37	49
Interest on finance leases	25	13	3	14
	<u>105</u>	<u>137</u>	<u>40</u>	<u>63</u>

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### **Income tax**

As all the profits of our Group are derived from Hong Kong, we are subject to Hong Kong Profits Tax. The statutory profits tax rate in Hong Kong was 16.5% on assessable profit during the Track Record Period. We have no tax payable in jurisdictions other than Hong Kong during the Track Record Period. Our income tax expense comprised current tax expense. Our effective tax rate during each of the years ended 31 March 2015, 2016 and the three months ended 30 June 2016 was approximately 16.1%, 22.7% and 15.0%, respectively.

Our effective tax rate was higher than the statutory tax rate for the year ended 31 March 2016 was mainly due to the non-deductibility of the [REDACTED]. The slightly lower effective tax rate for the year ended 31 March 2015 was mainly due to the over provision of the income tax expense for the prior year. For the three months ended 30 June 2016, our effective tax rate was lower than the statutory tax rate as Ample Design had unused tax losses which could offset its assessable profits generated during the period.

Our Directors confirm that they were not aware of any disputes/unresolved tax issues with any tax authorities as at the Latest Practicable Date.

### **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

#### **Three months ended 30 June 2016 compared to the three months ended 30 June 2015**

##### ***Turnover***

Our total revenue slightly decreased by approximately HK\$90,000, or 0.3%, from approximately HK\$30,342,000 for the three months ended 30 June 2015 to approximately HK\$30,252,000 for the three months ended 30 June 2016. Although revenue generated from A&A works and interior design services increased, such increase was not adequate to cover the decrease in revenue generated from fitting-out and renovation services.

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In respect of our fitting-out and renovation segment, the following table sets forth the breakdown of our projects based on scales of respective revenue recognised for the three months ended 30 June 2015 and 2016:

<b>Revenue recognised from fitting-out and renovation project</b>	<b>For the three months ended 30 June 2015</b>		<b>2016</b>	
	<i>Number of projects</i>	<i>HK\$'000</i> (unaudited)	<i>Number of projects</i>	<i>HK\$'000</i>
More than HK\$5 million	2	13,592	1	6,111
More than HK\$1 million to HK\$5 million	2	6,510	5	8,441
HK\$1 million or less	13	3,219	20	5,055
	<u>17</u>	<u>23,321</u>	<u>26</u>	<u>19,607</u>

The decrease in revenue derived from our fitting-out and renovation services was mainly due to the decrease in number of sizeable projects carried out which individually brought revenue of over HK\$5 million to our Group for the three months ended 30 June 2016.

In respect of our A&A works segment, the following table sets forth the breakdown of our projects based on scales of respective revenue recognised for the three months ended 30 June 2015 and 2016:

<b>Revenue recognised from A&amp;A project</b>	<b>Three months ended 30 June 2015</b>		<b>2016</b>	
	<i>Number of projects</i>	<i>HK\$'000</i> (unaudited)	<i>Number of projects</i>	<i>HK\$'000</i>
More than HK\$1 million	2	4,576	3	5,384
HK\$1 million or less	19	2,225	30	3,283
	<u>21</u>	<u>6,801</u>	<u>33</u>	<u>8,667</u>

The increase in revenue derived from A&A works for the three months ended 30 June 2016 was mainly driven by the increase in number of A&A projects carried out during the period.

Our revenue generated from interior design services increased by approximately HK\$1,758,000, or 799.1% from approximately HK\$220,000 for the three months ended 30 June 2015 to approximately HK\$1,978,000 for the three months ended 30 June 2016. The number of interior design projects carried out during the respective period increased from 5 for the three months ended 30 June 2015 to 10 for the three months ended 30 June 2016.



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### *Direct costs*

Our direct costs decreased by approximately HK\$2,766,000 or approximately 11.0% from approximately HK\$25,137,000 for the three months ended 30 June 2015 to approximately HK\$22,371,000 for the three months ended 30 June 2016, which was in line with the drop in total revenue for the respective period. In particular, our subcontracting and materials costs decreased from approximately HK\$23,343,000 for the three months ended 30 June 2015 to approximately HK\$19,211,000 for the three months ended 30 June 2016, as (i) the revenue recognised from our fitting-out and renovation projects, and hence the corresponding value of works subcontracted, decreased; and (ii) our effective cost control.

### *Gross profit and gross profit margin*

Our total gross profit increased by 51.4% from approximately HK\$5,205,000 for the three months ended 30 June 2015 to approximately HK\$7,881,000, for the three months ended 30 June 2016. Such increase was mainly attributable to (i) the increase in the number of projects generated revenue during the period; (ii) different project profit margin we charged to different clients; and (iii) effective cost control of our projects as our project cost mark up margin includes project contingent cost which may or may not be incurred, and to avoid the incurring of the project contingent cost, we strengthened our project management team by increasing project staff during the year ended 31 March 2016, and our project managers continuously consolidate their project management experience and communicate closely with our clients, suppliers and subcontractors to ensure the changes in specifications or new requirements are taken heed of, the works programme is followed tightly, materials are properly maintained and their wastage is minimised and our project coordinators and site supervisors timely report to our project managers or project director if they note any unexpected event. The increase in the project management task force enhanced the control of suppliers and subcontractors and optimised their costs. Due to the above reasons and our Group's ability to increase pricing in general, our gross profit margin increased from 17.2% for the three months ended 30 June 2015 to 26.1% for the three months ended 30 June 2016.

### *Other income, other gains and losses, net*

Our other income, other gains and losses, net, decreased by approximately HK\$299,000 from net gain of approximately HK\$14,000 for the three months ended 30 June 2015 to net loss of approximately HK\$285,000 for the three months ended 30 June 2016. Such decrease was mainly attributable to the fair value loss of the unexpired foreign currency forward contracts relating to the rate of US\$/RMB of approximately HK\$363,000 for the three months ended 30 June 2016.

### *Administrative and other operating expenses*

Our administrative and other operating expenses increased by approximately HK\$608,000 from approximately HK\$1,767,000 for the three months ended 30 June 2015 to approximately HK\$2,375,000 for the three months ended 30 June 2016. The increase in administrative and other operating expenses was mainly attributable to the recognition of [REDACTED] of approximately HK\$[REDACTED] during the three months ended 30 June

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2016 and the impairment loss on trade receivables of approximately HK\$312,000. No [REDACTED] were recognised while an impairment loss of trade receivables of approximately HK\$77,000 was recognised for the three months ended 30 June 2015.

### *Finance costs*

Our finance costs increased by approximately HK\$23,000 from approximately HK\$40,000 for the three months ended 30 June 2015 to approximately HK\$63,000 for the three months ended 30 June 2016 as (i) we made use of bank overdrafts during the period, and (ii) the increase in our obligation under finance lease to finance the purchase of motor vehicle during the three months ended 30 June 2016 as compared to that of 2015.

### *Income tax*

Our income tax expense increased by approximately HK\$168,000 from approximately HK\$605,000 for the three months ended 30 June 2015 to approximately HK\$773,000 for the three months ended 30 June 2016. The increase primarily reflected the increase in our profit before tax from approximately HK\$3,412,000 for the three months ended 30 June 2015 to approximately HK\$5,158,000 for the three months ended 30 June 2016.

Our effective tax rate decreased from approximately 17.7% for the three months ended 30 June 2015 to approximately 15.0% for the three months ended 30 June 2016 as Ample Design had unused tax losses which could offset its assessable profits during the period.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the period increased by approximately HK\$1,578,000 from approximately HK\$2,807,000 for the three months ended 30 June 2015 to approximately HK\$4,385,000 for the three months ended 30 June 2016.

Our net profit margin also increased from 9.3% for the three months ended 30 June 2015 to 14.5% for the three months ended 30 June 2016. The increase in our profit and net profit margin was primarily attributable to the increase in gross profit during the period as discussed above.

## **Year ended 31 March 2016 compared with the year ended 31 March 2015**

### *Turnover*

Our total revenue increased by approximately 5.0% from approximately HK\$134,047,000 for the year ended 31 March 2015 to approximately HK\$140,719,000 for the year ended 31 March 2016. Such increase was mainly attributable to the increase in revenue generated from both of our A&A projects and our interior design projects, despite the decrease in revenue generated from our fitting-out and renovation services.

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In respect of our fitting-out and renovation segment, the following table sets forth the breakdown of our projects based on scales of respective revenue recognised for the year ended 31 March 2015 and 2016:

<b>Revenue recognised from fitting-out and renovation projects</b>	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
More than HK\$10 million	4	74,442	2	47,265
More than HK\$5 million to HK\$10 million	–	–	3	20,492
More than HK\$1 million to HK\$5 million	8	16,505	7	17,313
HK\$1 million or less	<u>29</u>	<u>7,300</u>	<u>32</u>	<u>9,574</u>
	<u>41</u>	<u>98,247</u>	<u>44</u>	<u>94,644</u>

The decrease in revenue derived from our fitting-out and renovation projects was mainly due to the decrease in number of sizeable projects carried out which individually generated revenue of over HK\$10 million to our Group from 4 for the year ended 31 March 2015 to 2 for the year ended 31 March 2016.

In respect of our A&A works segment, the following table sets forth the breakdown of our projects based on scales of respective revenue recognised for the year ended 31 March 2015 and 2016:

<b>Revenue recognised from A&amp;A projects</b>	<b>Year ended 31 March</b>			
	<b>2015</b>		<b>2016</b>	
	<i>Number of projects</i>	<i>HK\$'000</i>	<i>Number of projects</i>	<i>HK\$'000</i>
More than HK\$10 million	–	–	1	17,254
More than HK\$5 million to HK\$10 million	2	15,870	1	7,548
More than HK\$1 million to HK\$5 million	3	6,788	2	4,155
HK\$1 million or less	<u>64</u>	<u>10,039</u>	<u>64</u>	<u>10,173</u>
	<u>69</u>	<u>32,697</u>	<u>68</u>	<u>39,130</u>

The increase in revenue derived from our A&A works was mainly due to the sizeable project carried out which individually generated revenue of over HK\$10 million to our Group for the year ended 31 March 2016.

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Our revenue generated from our interior design services increased by approximately HK\$3,842,000 or 123.8% for the year ended 31 March 2016. Set forth below breakdown of our projects based on scales of respective revenue recognised during the year ended 31 March 2015 and 2016:

	Year ended 31 March			
	2015		2016	
Revenue recognised from interior design projects	Number of projects	HK\$'000	Number of projects	HK\$'000
More than HK\$1 million	–	–	3	5,131
HK\$1 million or less	23	3,103	17	1,814
	<u>23</u>	<u>3,103</u>	<u>20</u>	<u>6,945</u>

The increase in revenue derived from our interior design services was mainly due to the increase in number of sizeable projects carried out which individually generated revenue of over HK\$1 million to our Group during the year ended 31 March 2016.

### *Direct costs*

Our direct costs decreased by approximately HK\$4,503,000, or 3.9%, from approximately HK\$115,280,000 for the year ended 31 March 2015 to approximately HK\$110,777,000 for the year ended 31 March 2016. In particular, our subcontracting and materials costs decreased from approximately HK\$107,631,000 for the year ended 31 March 2015 to approximately HK\$99,348,000 for the year ended 31 March 2016. Such decrease was resulting from (i) our effective cost control; and (ii) the decrease in value of works of subcontracted and materials costs.

### *Gross profit and gross profit margin*

Our gross profit increased by 59.5% from approximately HK\$18,767,000 for the year ended 31 March 2015 to approximately HK\$29,942,000 for the year ended 31 March 2016; which was in line with the increase in revenue during the period. Our overall gross profit margin increased from 14.0% for the year ended 31 March 2015 to 21.3% for the year ended 31 March 2016, resulting from (i) our effective control on our project cost as our mark up margin includes project contingent cost and our margin would improve if such cost is not incurred for the project; (ii) the increase in number of sizeable interior design projects carried out during the period which individually generated revenue of over HK\$1 million which involved less subcontracting and materials costs since the resources our Group put in interior design projects were mainly direct labour whose costs grew less rapidly compared to revenue growth, hence gave rise to higher gross profit margins; and (iii) the decrease in the number of sizeable fitting-out and renovation projects carried out which individually generated revenue of over HK\$10 million and were awarded by our customers who had better bargaining power in negotiating for lower project fee together with our ability to apply higher profit margins to our smaller fitting-out and renovation projects. Considering similar revenue but higher gross profit derived from fitting-out and renovation services

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during the year ended 31 March 2016 as compared with the year ended 31 March 2015, the value of works subcontracted and material costs were lowered for the year ended 31 March 2016.

For our A&A works sector, lower gross margin for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly caused by two projects, one of which was engaged by a famous luxurious jewellery chain store and the other was in a housing estate in Kowloon. Our Directors consider that the lower project gross profit margins for these two projects were respectively due to the bargaining power of the jewellery chain store and our Group’s strategy to gain market share in the local region, where our Directors saw the opportunities that the nearby housing estates may also require our Group’s A&A works services.

### *Other income, other gains and losses, net*

We recorded other income and net losses of approximately HK\$962,000 for the year ended 31 March 2016 in contrast to other income and net gain of approximately HK\$210,000 for the year ended 31 March 2015. Such decrease was mainly attributable to the fair value loss of the foreign currency forward contracts relating to the rate of US\$/RMB of approximately HK\$1,030,000 for the year ended 31 March 2016.

### *Administrative and other operating expenses*

Our administrative and other operating expenses increased by approximately HK\$9,347,000 from approximately HK\$6,471,000 for the year ended 31 March 2015 to approximately HK\$15,818,000 for the year ended 31 March 2016. The increase in administrative and other operating expenses was mainly attributable to (i) the recognition of [REDACTED] of approximately HK\$[REDACTED]; (ii) increase in salaries and other benefit (including directors’ remuneration) of approximately HK\$1,530,000; (iii) provision for a legal claim against our Group in respect of a fatal accident of approximately HK\$2,013,000, details of which are set out in the section headed “Business – Litigation and potential claim” in the document; and (iv) increase in legal and professional fee of approximately HK\$1,016,000 for the year ended 31 March 2016 in relation to the legal claims against our Group.

### *Finance costs*

Our finance costs increased by approximately HK\$32,000 from approximately HK\$105,000 for the year ended 31 March 2015 to approximately HK\$137,000 for the year ended 31 March 2016, primarily arising from bank overdrafts during the year 31 March 2016.

### *Income tax*

Our income tax expense increased by approximately HK\$963,000 from approximately HK\$1,995,000 for the year ended 31 March 2015 to approximately HK\$2,958,000 for the year ended 31 March 2016. Our effective tax rate also increased from approximately 16.1% for the year ended 31 March 2015 to approximately 22.7% for the year ended 31 March

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2016. Such increase was mainly due to the recognition of [REDACTED], which are a non-deductible expense under Hong Kong Profits Tax, of approximately HK\$[REDACTED] for the year ended 31 March 2016.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year decreased by approximately HK\$339,000 from approximately HK\$10,406,000 for the year ended 31 March 2015 to approximately HK\$10,067,000 for the year ended 31 March 2016.

Our net profit margin also decreased from 7.8% for the year ended 31 March 2015 to 7.2% for the year ended 31 March 2016. The decrease in our profit and net profit margin was primarily attributable to the increase in administrative and other operating expenses as discussed above.

### **BUSINESS GROWTH BEFORE TRACK RECORD PERIOD**

Before the Track Record Period, our Group recorded a steady growth in revenue and net profit during the two financial years ended 31 March 2014. Our Group’s revenue increased from approximately HK\$54,162,000 for the year ended 31 March 2013 to approximately HK\$55,995,000 for the year ended 31 March 2014, while our net profit increased from approximately HK\$327,000 for the year ended 31 March 2013 to approximately HK\$703,000 for the year ended 31 March 2014. Our Group’s gross profit margins for the years ended 31 March 2013 and 2014 were 12.2% and 13.5%, respectively.

Our Group has devoted resources to further develop interior design business since 2010 and expanded our business to provide fitting-out and renovation since 2011. Our Directors considered that the expansion of our services had been the turning point in our business development and crucial to our Group’s improvement in profitability in later years. Ample Construction was awarded its first fitting-out and renovation contract for a store at ifc mall in Central in 2011. In the fitting-out and renovation business, riding on our Directors’ pride on our interior design’s strengths which helped provide valuable advice and solution complementary to the fitting-out and renovation projects for our customers, our Group gradually targeted and obtained jobs from renowned brands and high-end customers to pursue larger contract sum. In addition, the expansion in our fitting-out and renovation services strengthened our Group’s existing A&A works business. As explained in the section headed “Business – Competitive strengths – Versatile contractor capable of fitting-out, renovation and A&A works and interior design” in this document, it became our competitive strength that the capability of providing fitting-out, renovation and A&A works concurrently saves customers’ time as they do not need to engage separate contractors to carry out their work individually and reduces overall project management costs. For the years ended 31 March 2015, 2016 and the three months ended 30 June 2016, we were engaged by 12, 15 and 10 customers which required both fitting-out and renovation and A&A works and revenue recognised from these customers amounted to approximately HK\$101,389,000, HK\$83,152,000 and HK\$14,433,000, representing approximately 75.6%, 59.1% and 47.7% of our total revenue, respectively. With the accumulation of job references, Ample Construction gained recognition and further undertook its first façade, interior fitting-out and renovation works project for a retail store of an international luxury goods retailer involving both fitting-out and renovation and A&A works in 2013. In the same year, Ample Construction



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was awarded a big A&A works contract with contract value exceeding HK\$10 million for the first time. Our Directors consider that our extensive experience and growing portfolio of renowned clients were impressive and became the cornerstone of our Group in securing a number of later projects which were significantly larger in size from various other major customers and were profitable before and during the Track Record Period. Ample Construction was awarded fitting-out, renovation and A&A works projects in a leading and established Chinese department store with aggregate contract value of approximately HK\$199.3 million in the years ended 31 March 2015 and 2016. During the year ended 31 March 2015, our Group was awarded fitting-out and renovation contracts for the office of a global social media and networking company in Quarry Bay with aggregate contract sum of approximately HK\$11.8 million. Further, during the year ended 31 March 2016, our Group was awarded fitting-out and renovation contracts with a multinational internet and mobile technology company for its office in Causeway Bay with aggregate contract sum of approximately HK\$20.3 million and fitting-out, renovation and A&A contracts with a property developer for a service apartment in North Point with aggregate contract sum of approximately HK\$52.0 million.

While our Group's gross profit margin increased steadily from 12.2% for the year ended 31 March 2013 to 14.0% for the year ended 31 March 2015 and further improved to 21.3% for the year ended 31 March 2016, the net profit margin significantly improved from 0.6% for the year ended 31 March 2013 to 7.2% for the year 31 March 2016. Improvement was significant because in addition to improvement in gross margin, our Group also enjoyed economies of scale when we had a larger operation scale in terms of revenue for the two years ended 31 March 2016 as compared to the two years ended 31 March 2014. Given staff costs and key management remuneration constantly accounted for the majority of our Group's administrative and other operating expenses and were fixed costs to our Group, the net profit margins were therefore thinner when we had a smaller operation scale in terms of revenue before the Track Record Period. Our Directors believe that as we accumulate track record of sizeable projects and serving renowned customers in the private residential, commercial and industrial sector, the effect of improvement to our profitability is long-lasting in the absence of major unfavourable change in economic condition and are optimistic that our profitability can be sustained in the private residential, commercial and industrial sector.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Our primary use of cash is to fund our operations and repayment of borrowings and related interest expenses. We have financed our operations through a combination of cash generated from operating activities and external borrowings. Upon the completion of the [REDACTED], we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt financing and the [REDACTED] from the [REDACTED]. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

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### Cash flows

The following table sets forth our Group’s cash flows for the periods indicated:

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Operating cash flow before movements in working capital	<u>13,129</u>	<u>15,017</u>	<u>3,578</u>	<u>5,638</u>
Net cash generated from operating activities	545	2,196	7,824	4,208
Net cash used in investing activities	(24)	(14)	(19)	(819)
Net cash generated from/(used in) financing activities	<u>716</u>	<u>(1,224)</u>	<u>2,657</u>	<u>4,219</u>
Net increase in cash and cash equivalents	1,237	958	10,462	7,608
Cash and cash equivalents at beginning of the year/period	<u>3,985</u>	<u>5,222</u>	<u>5,222</u>	<u>6,180</u>
Cash and cash equivalents at the end of the year/period	<u>5,222</u>	<u>6,180</u>	<u>15,684</u>	<u>13,788</u>

### *Cash flows generated from operating activities*

Our cash inflow from operating activities is principally derived from the receipts from the provision of fitting-out and renovation, A&A works as well as interior design services. Our working capital requirements typically arise from materials purchases and settlement of our staff costs and subcontracting fees. During the Track Record Period, our net cash flows from operating activities represented profit before tax adjusted for income tax paid, interest income, non-cash items and change in working capital.

For the three months ended 30 June 2016, our net cash generated from operating activities of approximately HK\$4,208,000, as a result of operating cash inflow before movements in working capital of approximately HK\$5,638,000 and net decrease in working capital charges of HK\$1,430,000. Net decrease in working capital charges primarily consisted of combined effects of the following:

- (i) the increase in trade and other receivables of approximately HK\$3,462,000;
- (ii) the increase in amounts due from customers for contract work of approximately HK\$3,763,000;



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(iii) the decrease in amount due to a related party of approximately HK\$1,503,000 for the repayment to Mr. Cheung; and

(iv) the increase in trade and other payables of approximately HK\$6,094,000.

Explanations of fluctuation of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Discussion of certain combined statements of financial position items" in this section.

For the year ended 31 March 2016, our net cash generated from operating activities of approximately HK\$2,196,000, as a result of operating cash inflow before movements in working capital of approximately HK\$15,017,000, net decrease in working capital charges of approximately HK\$9,484,000, and tax payment of approximately HK\$3,339,000. Net decrease in working capital charges primarily consisted of combined effects of the following:

(i) the increase in trade and other receivables of approximately HK\$19,665,000;

(ii) the decrease in amount due to a related party of approximately HK\$3,190,000 for the repayment to Mr. Cheung;

(iii) the decrease in amounts due from customers for contract work of approximately HK\$4,424,000, and

(iv) the decrease in amounts due from related parties of approximately HK\$7,245,000 mainly attributable to the repayment from our related parties.

Explanations of fluctuation of the aforesaid items from the combined statements of financial position are set out in the paragraph headed "Discussion of certain combined statements of financial position items" in this section.

For the year ended 31 March 2015, our net cash generated from operating activities of approximately HK\$545,000, as a result of operating cash inflow before movements in working capital of approximately HK\$13,129,000, net decrease in working capital charges of approximately HK\$12,348,000 and tax payment of approximately HK\$236,000. Net decrease in working capital charges primarily consisted of combined effects of the following

(i) an increase in trade and other receivables of approximately HK\$11,888,000;

(ii) the increase in amounts due from customers for contract work of approximately HK\$9,185,000;

(iii) the increase in amounts due from related parties of approximately HK\$12,753,000; and

(iv) the increase in amounts due to customers for contract work of approximately HK\$14,860,000.

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Explanations of fluctuation of the aforesaid items from the combined statements of financial position are set out in the paragraph headed “Discussion of certain combined statements of financial position items” in this section.

### *Cash flows used in investing activities*

Our cash flows from investing activities principally include proceeds from disposal of plant and equipment, and payment for the purchase of plant and equipment.

For the three months ended 30 June 2016, net cash used in investing activities of approximately HK\$819,000 was primarily attributable to the settlement for the foreign currency forward contracts of approximately HK\$730,000.

For the year ended 31 March 2016, net cash used in investing activities of approximately HK\$14,000 was primarily attributable to the purchase, in aggregate of approximately HK\$37,000, for plant and equipment, mainly for furniture and fixture and equipment.

For the year ended 31 March 2015, net cash used in investing activities of approximately HK\$24,000 was primarily attributable to the purchase, in aggregate of approximately HK\$84,000, for plant and equipment, mainly for motor vehicle offset by proceeds received from the disposal of motor vehicle of approximately HK\$60,000.

### *Cash flows generated from/used in financing activities*

Our cash inflow from financing activities primarily includes [REDACTED] from finance leases and [REDACTED] from bank borrowings, while our cash outflow from financing activities primarily includes interest payment, repayment of bank borrowings and repayment of obligation under finance leases.

For the three months ended 30 June 2016, we had net cash generated from financing activities of approximately HK\$4,219,000, which primarily comprised the net increase in proceeds from borrowings of approximately HK\$4,577,000, less the repayment of obligation under finance leases of approximately HK\$295,000.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$1,224,000, which primarily comprised the net decrease in proceeds from borrowings of approximately HK\$998,000.

For the year ended 31 March 2015, we had net cash generated from financing activities of approximately HK\$716,000, which primarily comprised the net increase in proceeds from borrowings of approximately HK\$940,000, less the repayment of obligation under finance leases of approximately HK\$119,000.

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### Net current assets

The following table sets forth details of our Group’s current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 March		As at 30 June	As at 31 October
	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current assets</b>				
Trade and other receivables	16,253	35,277	38,702	34,115
Amounts due from customers for contract work	9,185	4,761	8,524	19,818
Amounts due from related parties	10,977	3,732	3,797	10,024
Held-for-trading investments	13	10	10	12
Pledged bank deposit	–	–	–	3,000
Bank balances and cash	5,222	7,209	14,840	15,126
	<u>41,650</u>	<u>50,989</u>	<u>65,873</u>	<u>82,095</u>
<b>Current liabilities</b>				
Trade and other payables	6,711	7,862	13,956	13,260
Derivative financial instruments	–	783	584	584
Amounts due to customers for contract work	14,860	15,411	16,680	13,716
Amount due to a related party	5,619	2,429	926	–
Borrowings	2,174	2,205	6,805	21,475
Obligations under finance leases	90	102	99	100
Current tax liabilities	1,926	1,545	2,318	3,962
	<u>31,380</u>	<u>30,337</u>	<u>41,368</u>	<u>53,097</u>
<b>Net current assets</b>	<u>10,270</u>	<u>20,652</u>	<u>24,505</u>	<u>28,998</u>

Our net current assets position increased from approximately HK\$10,270,000 as at 31 March 2015 to approximately HK\$20,652,000 as at 31 March 2016. The increase in net current assets is approximately the same as our profit for the period as we did not record material change in fixed assets or long term liabilities for the period.

Our net current assets position increased from approximately HK\$20,652,000 as at 31 March 2016 to approximately HK\$24,505,000 as at 30 June 2016. The increase in net current assets is approximately the same as our profit for the period as we did not record material change in fixed assets or long term liabilities for the period.

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Attributable to the profit generated during the four months ended 31 October 2016, our net current assets position increased from approximately HK\$24,505,000 as at 30 June 2016 to approximately HK\$28,998,000 as at 31 October 2016.

### DISCUSSION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Plant and equipment

The following table sets out the respective carrying values of our Group's plant and equipment as at the respective dates as indicated:

	<b>Leasehold improvements</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at				
31 March 2015	<u>224</u>	<u>47</u>	<u>368</u>	<u>639</u>
31 March 2016	<u>149</u>	<u>64</u>	<u>211</u>	<u>424</u>
30 June 2016	<u>130</u>	<u>144</u>	<u>702</u>	<u>976</u>

The increase in net book value from 31 March 2016 to 30 June 2016 was mainly attributable to the purchase of office equipment and a motor vehicle. The decrease in net book value from 31 March 2015 to 31 March 2016 was mainly attributable to the depreciation of the plant and equipment, partially offset by the addition of furniture, fixtures and equipment during the year. For details of our purchase and disposal of plant and equipment during the Track Record Period, please refer to Note 13 of Section A to the Accountants' Report in Appendix I to this document.

#### Deposits and prepayments for life insurance policies

We entered into two life insurance policies with an insurance company to insure Mr. Cheung and Mr. Lam to mitigate the financial losses and disruption to our business arising from the illnesses, disability or even death of our key personnel. Under the policies, Ample Construction is the beneficiary and policy holder and the total insured sum is US\$2,000,000. Ample Construction was required to pay upfront deposits of approximately US\$333,000. Our Group was not required to make other payment to the insurer other than such upfront deposits. 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. The cash value 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,

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a pre-determined amount of surrender charge would be imposed. The insurance company will pay Ample Construction a guaranteed interest of 4.0% 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\$.

### Derivative financial instruments

During the Track Record Period, we entered into foreign currency forward contracts relating to exchange rates of US\$/RMB, as advised by our bank in view of our purchase of materials from the PRC. The following table sets forth the aggregate notional principal amounts and the expiry dates of the outstanding foreign currency forward contracts as at the dates indicated during the Track Record Period:

		As at 31 March 2015	2016	As at 30 June 2016
Aggregate notional principal amounts	RMB10,080,000	RMB10,733,000	RMB653,000	
Expiry dates	May 2016	From April 2016 to June 2017	From July 2016 to June 2017	

In view of the vagaries of the fair value change of financial derivatives and the purchase costs from the PRC, our Directors intend not to maintain any position in the foreign currency forward contracts or enter into any more of such derivative financial instruments following the expiry of them and therefore our Group does not have a treasury management policy on derivative financial instruments.

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### Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) retention receivables; and (iii) other receivables, prepayments and deposits. The following table sets out the breakdown of trade and other receivables as at the dates indicated:

	<b>As at 31 March</b>		<b>As at 30</b>
	<b>2015</b>	<b>2016</b>	<b>June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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>16,253</u>	<u>35,277</u>	<u>38,702</u>

### Trade receivables

During the Track Record Period, our trade receivables represented amounts receivables from our customers, less any identified impairment losses, for the provision of our services.

Our trade receivables, net of allowance of doubtful debts, increased by approximately HK\$16,411,000 from approximately HK\$7,210,000 as at 31 March 2015 to approximately HK\$23,621,000 as at 31 March 2016, which were mainly due to the significant progress of our project works near 31 March 2016.

Our trade receivables, net of allowance for doubtful debts, increased by approximately HK\$3,468,000 from approximately HK\$23,621,000 as at 31 March 2016 to approximately HK\$27,089,000 as at 30 June 2016, which was mainly attributable to the relatively larger amount of revenue recognised near the end of reporting period.

Our Directors consider that although our trade receivables increased substantially as at 31 March 2016 and 30 June 2016 as compared to 31 March 2015, our Group is not subject to deteriorated credit risk as according to the ageing analysis below, a large portion of our trade receivables as at 31 March 2016 and 30 June 2016 fell within 0-30 days from our invoice date and trade receivables which are past due but not impaired decreased from 31 March 2016 to 30 June 2016.

### Ageing analysis of trade receivables

We generally offer our customers a credit period of 7 to 30 days after the issuance of our invoice or payment certificate. We may grant longer credit period to customers who are individuals upon their request. Customers who are individuals mainly approach us through referrals by their interior designers or consultants who had known us. We determine the length of the credit period granted to referred customers who are individuals by assessing (i)

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whether the customer is owner-occupier; (ii) the market value of the residential property; (iii) the purported competition we face when negotiating for the project; and (iv) our business relationship with the referrer who refers the customer to us. During the Track Record Period, Customer J, one of our top five customers, who is an individual and an independent third party was granted a credit period of 180 days. Our Directors are of the view that the arrangement is in line with our credit policy. The project for Customer J has been completed and the project fee, including the trade receivables as at 30 June 2016, was fully settled as at the Latest Practicable Date. The following table sets forth the ageing analysis of our trade receivables, net of allowance for doubtful debts and based on the invoice date, as at the end of the periods indicated:

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 30 June 2016 HK\$'000</b>
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	289	337	82
	<u>7,210</u>	<u>23,621</u>	<u>27,089</u>

To certain extent our trade receivables (including retention receivables) were concentrated to our largest debtors and the five largest debtors as illustrated in the table below for the respective dates indicated:

	<b>As at 31 March 2015 HK\$'000</b>	<b>As at 31 March 2016 HK\$'000</b>	<b>As at 30 June 2016 HK\$'000</b>
Largest debtor	3,572	13,380	7,381
Five largest debtors	10,183	29,231	20,957

We seek to maintain strict control over our outstanding receivables and have a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by our accounting department and project team.

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### *Impairment of trade receivables*

The following table sets forth the ageing analysis of trade receivables that are past due but not impaired for the respective date indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	289	231	–
	<u>6,730</u>	<u>6,491</u>	<u>5,949</u>

Receivables that were past due but not impaired relate to a number of independent customers that have good track records with our Group. Besides, our balance of trade receivables that are past due but not impaired amounted to 93.3%, 27.5% and 22.0% of the balance of trade receivables, net of allowance for doubtful debts, as at 31 March 2015 and 2016 and 30 June 2016, respectively, and there was continuous improvement in the settlement in the trade receivables that are past due but not impaired. Our Directors believe that no impairment allowance is necessary in respect of these balances as there have not been any significant change in credit quality and the balances are still considered fully recoverable.

Movements in our Group's provision for impairment of trade receivables are as follows:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
Balance at end of the year/period	<u>587</u>	<u>1,165</u>	<u>1,202</u>



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The individually impaired trade receivables relate to customers that had been in default in payment or the financial difficulties for prolonged period and were not expected to be recovered. In determining the recoverability of trade receivable, we consider that 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.

As at the Latest Practicable Date, approximately HK\$25,142,000 or 92.8% of trade receivables as at 30 June 2016 were settled.

### *Trade receivables turnover day*

The following table sets out the debtors' turnover days for the periods indicated:

	<b>For the year ended 31 March</b>		<b>For the three months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Debtors' turnover days ( <i>Note</i> )	16.4 days	40.1 days	76.3 days

*Note:* Debtors' turnover days for the years/period ended 31 March 2015 and 2016 and 30 June 2016 are equal to the average trade receivables, net of allowance for doubtful debts, divided by revenue and multiplied by 365 days for the years ended 31 March 2015, 366 days for the year ended 31 March 2016 and 91 days for the three months ended 30 June 2016. Average trade receivables are the average of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

Our debtors' turnover days were approximately 16.4 days, 40.1 days and 76.3 days for the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. The increase in debtors' turnover days from approximately 16.4 days for the year ended 31 March 2015 to approximately 40.1 days for the year ended 31 March 2016 was mainly attributable to the significant increase in our trade receivables near the year ended 31 March 2016, mainly due to the completion of a project with substantial value with a major customer near the end of the financial year whose balance of trade receivables amounted to approximately HK\$12,462,000 as at 31 March 2016. Further increase of debtors' turnover days from 40.1 days for the year ended 31 March 2016 to 76.3 days for the three months ended 30 June 2016 was the result of value of works completed near the end of the three months ended 30 June 2016 being also substantial, hence increased the balance of trade receivables as at 30 June 2016. Despite the longer debtors' turnover days as calculated, a majority of trade receivables were aged between 0 to 30 days as at 31 March 2016 and 30 June 2016 and thus our Directors are of the view that the increase in debtors' turnover days was not caused by the change in mix of customers granted with longer credit period.

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### *Retention receivables*

Retention receivables represent the retention money to be held up by our customer at each interim payment or at practical completion of the project to secure our due performance of the contracts.

Our retention receivables increased from approximately HK\$5,731,000 as at 31 March 2015 to approximately HK\$10,650,000 as at 31 March 2016. It was mainly due to increasing amount of revenue that was subject to retention requirement, the release of retention will be made after completion of the projects and expiry of applicable defects liability periods.

Our retention receivables increased from approximately HK\$10,650,000 as at 31 March 2016 to approximately HK\$11,055,000 as at 30 June 2016 due to similar reason as discussed above.

### *Other receivables, prepayments and deposits*

Other receivables, prepayments and deposits mainly represent rental deposits, deposits for utility and the cash collateral for surety bonds.

Our other receivables, prepayments and deposits decreased from approximately HK\$3,312,000 as at 31 March 2015 to approximately HK\$1,006,000 as at 31 March 2016. Such decrease was mainly due to the decrease of cash collateral for surety bonds of approximately HK\$2,306,000 as a result of the release of surety bonds at the completion of the relevant contracts.

Our other receivables, prepayments and deposits decreased from approximately HK\$1,006,000 as at 31 March 2016 to approximately HK\$558,000 as at 30 June 2016. Such decrease was mainly due to the decrease of cash collateral for surety bonds of approximately HK\$550,000 as a result of the release of surety bonds at the completion of the relevant contracts.

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### Amounts due from/to customers for contract work

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. The following table sets out our amount due from/to customers for contract work as at each reporting date during the Track Record Period:

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

The gross amounts due from/to customers for contract work are normally affected by

- (i) the amount of works handled by us at the time close to the end of each reporting period,
- (ii) the time of certifying payment application by our customers or our progress billings for the project progress recorded by us, which can vary significantly from period to period.

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### Amounts due from/to related parties

The following table sets forth the details of the amounts due from/to related parties as at each reporting date during the Track Record Period:

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

*Note:* Our company has declared dormant as at the Latest Practicable Date.

The amounts due from/to related parties are non-trade in nature, unsecured, interest-free and recoverable/repayable on demand. The balance of the amounts due from/to related parties will be settled prior to the [REDACTED].

### Held-for-trading investments

Our held-for-trading investments primarily relate to our investments in equity securities listed in Hong Kong. The fair value based on quoted market prices of our held-for-trading investments amounted to approximately HK\$13,000, HK\$10,000 and HK\$10,000 as at 31 March 2015 and 2016 and 30 June 2016, respectively.

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### Trade and other payables

Our trade and other payables comprise (i) trade payables and (ii) other payables and accruals. The following table sets forth the details of our trade and other payables during the Track Record Period:

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

### Trade payables

Trade payables were mainly increased for the purchase of materials and subcontracting services from our suppliers. We generally receive credit terms of 0 to 30 days from our suppliers.

Our trade payables slightly decreased from approximately HK\$6,603,000 as at 31 March 2015 to approximately HK\$5,304,000 as at 31 March 2016 due to the decrease in credit purchase near the end of 31 March 2016. Our trade payables increased from approximately HK\$5,304,000 as at 31 March 2016 to approximately HK\$11,612,000 as at 30 June 2016, which was in line with the increase in trade receivables resulting from the increase in number of projects carried out which brought revenue during the period.

The following table sets out the ageing analysis of our trade payables as at the end of each of the reporting dates presented based on the invoiced dates:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>157</u>	<u>26</u>	<u>350</u>
	<u><u>6,603</u></u>	<u><u>5,304</u></u>	<u><u>11,612</u></u>

As at the Latest Practicable Date, approximately HK\$10,481,000 or 90.3% of our trade payables as at 30 June 2016 were settled.

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The following table sets out the creditors’ turnover days for the years indicated:

	<b>For the year ended 31 March</b>		<b>For the three months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2016</b>
Creditors’ turnover days ( <i>Note</i> )	14.4 days	19.7 days	34.4 days

*Note:* Creditors’ turnover days for the years/period ended 31 March 2015 and 2016 and 30 June 2016 are equal to the average trade payables divided by direct costs and multiplied by 365 days for the years ended 31 March 2015, 366 days for the year ended 31 March 2016 and 91 days for the three months ended 30 June 2016. Average trade payables are the average of trade payables at the beginning of the year/period and trade payables at the end of the year/period.

Our creditors’ turnover days remained relatively stable at approximately 14.4 days and 19.7 days for the year ended 31 March 2015 and 2016 respectively. Our creditors’ turnover days increased to approximately 34.4 days for the three months ended 30 June 2016. The increase of creditors’ turnover days for the three months ended 30 June 2016 was mainly attributable to the significant accumulation of our Group’s trade payables near the end of the reporting period.

### ***Other payables and accruals***

Our other payables and accruals mainly represent accrual of various expenses such as legal and professional fee and provision made for a litigation in which our Group, on the advice of Mr. Yuen Siu Kei, barrister-at-law, is likely to be held liable to pay a sum of HK\$2.0 million.

The provision for litigation was made in the year ended 31 March 2016, as such, our other payables and accruals increased from approximately HK\$108,000 as at 31 March 2015 to approximately HK\$2,558,000 as at 31 March 2016. Our other payables and accruals remained stable at approximately HK\$2,558,000 as at 31 March 2016 and approximately HK\$2,344,000 as at 30 June 2016. The above-mentioned litigation is awaiting trial as at the Latest Practicable Date.

## **RELATED PARTY TRANSACTIONS**

For further details of our related party transactions, please refer to Note 30 of Section A to the Accountants’ Report in Appendix I to this document. Our Directors confirm that these related party transactions were conducted on normal commercial terms that are considered fair and reasonable and in the interest of our Group and would not distort our results of operations during the Track Record Period or make our historical results not reflective of our expectation for our future performance.

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### INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as at 31 March 2015 and 2016, 30 June 2016 and 31 October 2016, being the Latest Practicable Date for the purpose of this indebtedness in this document:

	<b>As at 31 March</b>		<b>As at</b>	<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June 2016</b>	<b>31 October 2016</b>
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
				(unaudited)
Amount due to a related party	5,619	2,429	926	–
Borrowings	2,174	2,205	6,805	21,475
Obligations under finance leases	<u>341</u>	<u>251</u>	<u>457</u>	<u>424</u>
	<u>8,134</u>	<u>4,885</u>	<u>8,188</u>	<u>21,899</u>

### Bank borrowings and bank overdrafts

The following table sets forth a breakdown our bank borrowings and bank overdrafts as at the dates indicated:

	<b>As at 31 March</b>		<b>As at</b>	<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June 2016</b>	<b>31 October 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Bank loans – secured	2,174	1,176	5,753	21,475
Bank overdrafts	<u>–</u>	<u>1,029</u>	<u>1,052</u>	<u>–</u>
	<u>2,174</u>	<u>2,205</u>	<u>6,805</u>	<u>21,475</u>
Carrying amounts repayable*:				
On demand or within one year	1,428	1,713	6,378	13,643
More than one year, but not exceeding two years	254	264	267	3,112
More than two years, but not exceeding five years	<u>492</u>	<u>228</u>	<u>160</u>	<u>4,720</u>
Amount shown under current liabilities	<u>2,174</u>	<u>2,205</u>	<u>6,805</u>	<u>21,475</u>

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

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The increase in our bank borrowings and bank overdrafts subsequent to the Track Record Period was used for (i) settling income tax payment and expenses in relation to [REDACTED]; and (ii) financing the payment of start-up costs for several projects commenced subsequent to the Track Record Period as well as the working capital needs of existing sizeable projects.

As at 31 October 2016, we had unutilised banking facilities of approximately HK\$16,699,000.

All of our bank borrowings and bank overdrafts were denominated in Hong Kong dollar and the interest rates as at 31 March 2015 and 2016, 30 June 2016 and 31 October 2016 were ranged from 4.0% to 4.5% per annum, 4.0% to 4.5% per annum, 4.0% to 4.5% per annum and 2.75% to 5.5% per annum, respectively for bank borrowings. And the interest rates of bank overdrafts as at 31 March 2015 and 2016, 30 June 2016 and 31 October 2016 were nil, 6.0% per annum, 4.25% per annum and nil, respectively.

As at 31 March 2015 and 2016 and 30 June 2016, our bank borrowings and bank overdrafts were secured by leasehold property owned by Mr. Lam and Mr. Cheung, deposits and prepayments for life insurance policies, and personal or corporate guarantees executed by Mr. Cheung, Mr. Lam and The Hong Kong Mortgage Corporation Limited. Please see Note 22 of Section A to the Accountants' Report in Appendix I to this document for details of these securities. As at 31 October 2016, our bank borrowings and bank overdrafts were secured by leasehold property owned by Mr. Lam/Mr. Cheung, deposits and prepayments for life insurance policies, charge over a deposit of our Group and personal or corporate guarantees executed by executed by Mr. Cheung, Mr. Lam, The Hong Kong Mortgage Corporation Limited and the Government of Hong Kong Special Administrative Region. All personal or corporate guarantees executed by Mr. Lam, Mr. Cheung and The Hong Kong Mortgage Corporation Limited and charges over assets owned by Mr. Lam and Mr. Cheung, will be released upon the [REDACTED].

Our bank borrowings contain certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors have confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our borrowings during the Track Record Period and up to the Latest Practicable Date.

Most of our bank borrowings were classified as current liabilities despite some of them were repayable in more than one year with payment schedule stipulated in the table above. Our bank loans were borrowed from major commercial banks in Hong Kong. Notwithstanding that (i) such term loans have specific repayment schedule; and (ii) the loan agreements stated specific situations that the banks can demand for repayment, as a general and standard term of the loan agreements with these major commercial banks, such loan agreements contain a general term entitling the banks to demand for repayment at their discretion. As a result, according to HK Interpretation 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK Interpretation 5), these bank borrowings were classified as current liabilities in our financial statements.



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Save as the indebtedness as disclosed above, we currently do not have an external financing plan.

### Obligations under finance leases

During the Track Record Period, we acquired certain motor vehicles by way of finance lease arrangements mainly through a bank. The following table sets out our obligations under finance leases repayable as at the dates indicated.

	As at 31 March		As at 30 June 2016	As at 31 October 2016
	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Within one year	90	102	99	100
In the second to fifth years, inclusive	<u>251</u>	<u>149</u>	<u>358</u>	<u>324</u>
Present value of minimum lease payments	<u>341</u>	<u>251</u>	<u>457</u>	<u>424</u>

All of our finance leases were denominated in Hong Kong dollars and the effective interest rates as at 31 March 2015 and 2016, 30 June 2016 and 31 October 2016 were 5.4% per annum, 5.4% per annum, 4.8% per annum and 4.8% per annum, respectively.

The obligations under finance leases were secured by the personal guarantee provided by Mr. Cheung. The personal guarantee provided by Mr. Cheung will be released upon [REDACTED].

### Contingent liabilities

Certain customers of construction contracts undertaken by us require to issue guarantees for the performance of contracts work in the form of surety bonds of approximately HK\$7,416,000, HK\$2,984,000, HK\$1,149,000 and HK\$1,772,000 as at 31 March 2015 and 2016, 30 June 2016 and 31 October 2016, respectively. Ample Construction, Ample Group and/or Mr. Cheung and Mr. Lam 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. Each of these indemnities will be released upon [REDACTED].

Save as disclosed herein and apart from intra-group liabilities, we did not have, at the close of business on 31 October 2016, being the Latest Practicable Date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

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Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 October 2016 up to the date of this document.

### OFF-BALANCE SHEET ARRANGEMENTS

Our Group did not enter into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

### COMMITMENTS

#### Operating leases commitments

We leases office premises under non-cancellable operating lease arrangement for lease term of two years. The following table sets forth our commitments for future minimum lease payments as at the date indicated:

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

### CAPITAL EXPENDITURES

The following table sets forth details of our capital expenditures during the Track Record Period:

	As at 31 March		As at
	2015	2016	30 June
	HK\$'000	HK\$'000	2016
			HK\$'000
<b>Capital expenditures</b>			
Plant and equipment	<u>544</u>	<u>37</u>	<u>848</u>

Our capital expenditures during the Track Record Period principally consisted of expenditures on acquisitions of plant and equipment. During the Track Record Period, we incurred capital expenditures of approximately HK\$544,000, HK\$37,000 and HK\$848,000, respectively, primarily used for purchases of motor vehicles and furniture, fixtures and equipment.

## FINANCIAL INFORMATION

### SUMMARY OF KEY FINANCIAL RATIOS

The following set out our key financial ratios during the Track Record Period:

		As at or for the year ended 31 March		As at or for the three months ended 30 June
	Notes	2015	2016	2016
<b>PROFITABILITY RATIOS</b>				
Return on assets	1	23.1%	18.6%	25.2% <sup>(9)</sup>
Return on equity	2	77.2%	42.4%	62.9% <sup>(9)</sup>
<b>LIQUIDITY RATIOS</b>				
Current ratio	3	1.3	1.7	1.6
Quick ratio	4	1.3	1.7	1.6
<b>CAPITAL ADEQUACY RATIOS</b>				
Gearing ratio	5	60.6%	20.8%	29.4%
Net debt to equity ratio	6	21.7%	N/A <sup>(7)</sup>	N/A <sup>(7)</sup>
Interest coverage	8	119.1 times	96.1 times	82.9 times

Notes:

- Return on assets is calculated by dividing annualised net profit for the year/period divided by total assets at the end of the respective year/period and expressed as a percentage.
- Return on equity is calculated by dividing annualised net profit attributable to the owners of our Company for the year/period divided by the total equity attributable to the owners of our Company at the end of the respective year/period and expressed as a percentage.
- Current ratio is calculated by dividing total current assets by total current liabilities at the end of the respective year/period.
- Quick ratio is calculated by dividing total current assets net of inventories by current liabilities at the end of the respective year/period.
- Gearing ratio is calculated by dividing total debt (summation of borrowings, amount due to a related party and obligations under finance leases) by total equity at the end of the respective year/period and expressed as a percentage.
- Net debt to equity ratio is calculated by dividing total debt (summation of borrowings, amount due to a related party and obligations under finance leases) net of cash and cash equivalents at the end of the year or period by total equity at the end of the respective year or period and expressed as a percentage;
- Our Company was in a net cash position as at 31 March 2016 and 30 June 2016.
- Interest coverage is calculated by the profit before interest and tax divided by the interest expenses for the year or period.

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9. These figures have been annualised to be comparable to prior years for reference only, but are not indicative of the actual results.

### **Profitability ratios**

#### ***Return on assets***

Our return on assets decreased from approximately 23.1% for the year ended 31 March 2015 to approximately 18.6% for the year ended 31 March 2016. While we recorded approximately the same level of net profit in both years, total assets at 31 March 2016 was greater than that of 31 March 2015 due mainly to the accumulated reserves and hence return on assets decreased.

#### ***Return on equity***

Our return on equity decreased from approximately 77.2% for the year ended 31 March 2015 to approximately 42.4% for the year ended 31 March 2016. Such decrease was mainly due to the increase in the total equity resulting from the increase in reserves due to the profit generated throughout the year while we recorded approximately the same level of net profit in both years.

### **Liquidity ratios**

#### ***Current ratio and quick ratio***

Our current ratio and quick ratio increased from approximately 1.3 as at 31 March 2015 to approximately 1.7 as at 31 March 2016. The increase was mainly attributable to the profit generated which resulted in the improvement in our net current assets position. Our current and quick ratio remained relatively stable at 1.7 and 1.6 as at 31 March 2016 and 30 June 2016, respectively.

### **Capital adequacy ratios**

#### ***Gearing ratio***

Our gearing ratio decreased from approximately 60.6% as at 31 March 2015 to approximately 20.8% as at 31 March 2016. Such decrease was mainly attributable to the significant increase in our total equity of approximately 75.0% which is resulted from the profit generated during the year.

Our gearing ratio increased from approximately 20.8% as at 31 March 2016 to approximately 29.4% as at 30 June 2016. Such increase was mainly due to the increase in our total debt of approximately 67.6% for the period and partially offset by the increase in the total equity of approximately 18.7% as a result of the profit generated for the period.

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### *Net debt to equity ratio*

Our debt to equity ratio was approximately 21.7% as at 31 March 2015 while no debt to equity ratio was calculated as at 31 March 2016 and 30 June 2016 since our bank balances and cash were larger than our total debt as at 31 March 2016 and 30 June 2016.

### *Interest coverage*

Our interest coverage decreased from approximately 119.1 times for the year ended 31 March 2015 to approximately 96.1 times for the year ended 31 March 2016. Such decrease was mainly attributable to the increase of finance costs arising from bank overdrafts during for the year ended 31 March 2016. Our interest coverage decreased from approximately 96.1 times for the year ended 31 March 2016 to approximately 82.9 times for the 30 June 2016, as our Group has increased banking facilities to finance its operations, and there was an increase in obligation under finance leases arising from the purchase of motor vehicle.

## WORKING CAPITAL SUFFICIENCY

Taking into consideration our Group's existing balance of cash and cash equivalent, cash flows from its operations, availability of bank facility and estimated [REDACTED] from the [REDACTED], our Directors believe, after due and careful inquiry, that we have sufficient working capital for at least 12 months commencing from the date of this document.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. We manage and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

### **Foreign exchange risk**

During the Track Record Period and as at the end of reporting periods, the majority of our transactions and balances were denominated in Hong Kong dollars. Our Directors consider that the currency risk is not significant and we currently do 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.

### **Interest rate risk**

Our exposure to the risk of changes in market interest rates relates primarily to our 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 us to cash flow interest rate risk.

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Our deposits for life insurance policies are based on fixed interest rates. Our Directors consider that the fixed interest deposits for life insurance policies are not subject to significant fair value interest rate risk.

As we have no significant variable-rate interest-bearing financial assets and financial liabilities, except for short-term bank deposits and bank borrowings, our 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.

### **Credit risk**

Our credit risk mainly arises from the default of our counterparties on their contractual obligations, which will cause us financial loss. In order to minimise the credit risk, we monitored on an ongoing basis and follow-up action is taken to recover overdue debts. In addition, we review 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, we consider that our credit risk is significantly reduced.

Our credit risk exposure is spread over a number of customers, accordingly, we have no significant concentration of credit risk on a single customer in this respect.

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, we do not have any other significant concentration of credit risk.

### **Liquidity risk**

We have built an appropriate liquidity risk management framework to meet our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate cash balances and banking facilities.

### **DIVIDENDS**

During the Track Record Period, we did not declare any dividend. Our Company declared a dividend in an amount of HK\$18 million in December 2016, of which approximately HK\$8 million was paid through internal resources and the balance of approximately HK\$10 million was set off against the outstanding balances of the amounts due from the Controlling Shareholders. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment as our Group will still maintain net current assets and net assets positions after payment of the dividend. We do not have a fixed dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group’s future operations and earnings, capital requirements and surplus, general

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financial condition, contractual restrictions and other factors which our Directors deem relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. Dividends may be paid only out of our Company’s distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### [REDACTED]

Our estimated [REDACTED] primarily consist of legal and professional fees in relation to the [REDACTED]. Assuming a [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] range stated in this document, the [REDACTED] to be borne by our Company are estimated to be approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$[REDACTED] is chargeable to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$[REDACTED] and HK\$[REDACTED] were charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 March 2016 and the three months ended 30 June 2016, respectively, and approximately HK\$[REDACTED] is expected to be charged for the nine months ended 31 March 2017. Our Directors are of the view that the liquidity position of our Group will not be adversely affected by the payment of [REDACTED] given that our Group maintained net current assets position as at 31 October 2016 and the remaining expenses will be settled by deducting the [REDACTED] from the [REDACTED]. The estimated [REDACTED] are subject to adjustments based on the actual amount incurred or to be incurred.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have secured 68 additional contracts with an aggregate contract sum of approximately HK\$40,323,000 (6 of which have a project sum exceeding HK\$1 million). As at the Latest Practicable Date, we had 50 projects on hand (including contracts in progress as well as contracts that were awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$91,521,000 and approximately HK\$22,365,000 of revenue has been recognised during the Track Record Period. We expect to recognise revenue of approximately HK\$69,156,000 for the year ending 31 March 2017 based only on our contracts on hand. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our fitting-out, renovation and A&A project work portfolio” in this document for further details.

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Following the Track Record Period, we have been continuously approached by customers for submitting quotations or tenders for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business. A dividend of HK\$18 million was declared in December 2016 by our Company.

Our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this document, other than the impact of [REDACTED].

### DISTRIBUTABLE RESERVES

As at 30 June 2016, our Company had no distributable reserves available for distribution to its equity holders.



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[REDACTED]

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## **FINANCIAL INFORMATION**

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[REDACTED]

### **DISCLOSURE REQUIREMENTS UNDER CHAPTER 17 OF THE GEM LISTING RULES**

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirements under Rule 17.15 to 17.21 of the GEM Listing Rules.

### **MATERIAL ADVERSE CHANGE**

The impact of the [REDACTED] on the profit or loss accounts has posted a material adverse change in the financial or trading position or prospect of our Group since 30 June 2016 (being the date of the latest audited combined financial statements were made up). Prospective investors should be aware of the impact of the [REDACTED] on the financial performance of our Group for the year ending 31 March 2017.

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## FINANCIAL INFORMATION

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Save as disclosed above, our Directors have confirmed that, up to the date of this document, there had been no material adverse change in the financial or trading positions or prospect of our Company or its subsidiaries since 30 June 2016 (being the date of which our Group’s latest audited combined financial statements were made up as set out in the Accountants’ Report in Appendix I to this document) and there had been no event since 30 June 2016 which would materially affect the information shown in the Accountants’ Report in Appendix I to this document.