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Post Hearing Information Pack of

Yield Go Holdings Ltd.
耀高控股有限公司

(the "**Company**")

(incorporated in the Cayman Islands with limited liability)

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Yield Go Holdings Ltd.
耀高控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total number of [REDACTED]	**:**	**[REDACTED] Shares**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to re-allocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to re-allocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

Grande Capital Limited
均富融資有限公司

[REDACTED] and [REDACTED]
[REDACTED]

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A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this document, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies (WUMP) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) on the **[REDACTED]** or such later date as may be agreed between our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) but in any event no later than **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced.

The **[REDACTED]** may, with our Company's consent, reduce the number of **[REDACTED]** under the **[REDACTED]** and/or the **[REDACTED]** stated in this document at any time prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, a notice of reduction in the number of **[REDACTED]** and/or the **[REDACTED]** will be published on the website of the Stock Exchange at **www.hkexnews.hk** and website of our Company at **www.yield-go.com** not later than the morning of the last day for lodging applications under the **[REDACTED]**. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure and conditions of the **[REDACTED]**" and "How to apply for **[REDACTED]**".

If, for any reason, the **[REDACTED]** is not agreed between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on or before **[REDACTED]**, the **[REDACTED]** will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including risk factors set out in the section headed "Risk factors". Pursuant to the **[REDACTED]**, the **[REDACTED]** has the right in certain circumstances to terminate the obligations of the **[REDACTED]** at any time prior to 8:00 a.m. (Hong Kong time) on the **[REDACTED]**. Further details of such circumstances are set out in the section headed "**[REDACTED]** – **[REDACTED]** arrangements and expenses – The **[REDACTED]** – Grounds for termination".

EXPECTED TIMETABLE

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

You should rely only on the information contained in this document to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the* **[REDACTED]**.

CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**. *Various expressions used in this summary are defined in the section headed "Definitions and glossary of technical terms" in this document.*

BUSINESS OVERVIEW

Our business model

We are an established fitting-out contractor in Hong Kong with over 22 years of experience since the establishment of one of our principal operating subsidiaries, Hoi Sing Decoration, in 1995. Our fitting-out services cover both (i) fitting-out works conducted on new buildings; and (ii) interior renovation works on existing buildings that involve upgrades, makeovers and demolition of existing works. We mainly provide fitting-out services for residential and commercial properties in Hong Kong on a project basis. To a lesser extent, we also supply fitting-out materials such as timber products upon customers' requests in Hong Kong.

The total revenue of the fitting-out industry in Hong Kong in 2017 was approximately HK$28.5 billion according to the Ipsos Report. The total revenue of our Group for FY2016/17 was HK$346.4 million. Based on these figures, it is estimated that our Group's market share in the fitting-out industry in Hong Kong is approximately 1.2%.

We pride ourselves in our project management capability and our ability to strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. We act as the project manager and principal coordinator for the works we are responsible for which encompasses planning, coordinating, monitoring and supervising the project from project implementation to completion as well as monitoring rectification of defects during the defects liability period. Our project management capability and ability to strategically subcontract works to subcontractors are evidenced through the fact that we maintain quality of our works through selecting subcontractors whom we are familiar with and that best suits the project in our opinion. We evaluate our subcontractors taking into account their quality of services, skills and technique, credit-worthiness, pricing, availability of resources in accommodating delivery requirement as well as their reputation and track records. We generally only engage subcontractors on our approved list of subcontractors based on the nature and complexity of each project and the availability of our resources at the time and such list is updated on an ongoing basis.

The following table sets forth a breakdown of our revenue by business operations during the Track Record Period:

	FY2015/16		**FY2016/17**		**FY2017/18**		**Four months ended 31 July 2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Fitting-out services	238,823	99.4	346,099	99.9	560,283	100.0	201,740	96.3
Supply of fitting-out materials	1,326	0.6	292	0.1	–	–	7,798	3.7
Total	240,149	100.0	346,391	100.0	560,283	100.0	209,538	100.0

Fitting-out services

Our fitting-out projects are awarded through either competitive tenders or quotation invitations. We offer an array of fitting-out services such as ceiling, metal and glass works, as well as installation of built-in furniture, timber flooring, kitchen cabinetries and timber doors. The installation of timber flooring, kitchen cabinetries and timber doors under our fitting-out services portfolio are generally provided for new residential buildings. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, revenue attributable to fitting-out services amounted to approximately HK$238.8 million, HK$346.1 million, HK$560.3 million and HK$201.7 million, representing approximately 99.4%, 99.9%, 100.0% and 96.3% of our total revenue, respectively.

Supply of fitting-out materials

To a lesser extent, we also engage in supply of fitting-out materials upon customers' requests in Hong Kong. Fitting-out materials supplied included timber products without the provision of corresponding fitting-out services. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, revenue attributable to supply of fitting-out materials amounted to approximately HK$1.3 million, HK$0.3 million, nil and HK$7.8 million, representing approximately 0.6%, 0.1%, nil and 3.7% of our total revenue, respectively.

Our customers

Our customers are from the private sector and mainly include (i) property developers; (ii) contractors; and (iii) property owners. Our major customers include leading property developers. According to the Ipsos Report, the respective holding companies of some of our top five customers during the Track Record Period, namely Customer A, Customer B and Customer C (as referred to in the section headed "Business – Our customers"), are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017. Our services are provided on a project basis and we do not enter into long-term agreements with our customers. The following table sets forth a breakdown of our revenue by customer type during the Track Record Period:

	FY2015/16		**FY2016/17**		**FY2017/18**		**Four months ended 31 July 2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Property developers[(Note 1)]	237,284	98.8	344,264	99.4	424,400	75.8	169,996	81.1
Contractors	–	–	–	–	89,281	15.9	31,882	15.2
Property owners	1,539	0.6	1,835	0.5	22,900	4.1	5,184	2.5
Others[(Note 2)]	1,326	0.6	292	0.1	23,702	4.2	2,476	1.2
Total	240,149	100.0	346,391	100.0	560,283	100.0	209,538	100.0

Note:

1. The category "Property developers" includes both property developers and their subsidiaries.

2. The category "Others" comprise transactions with Hoi Sing International which formerly engaged in retail trading of timber flooring and Customer I which engages in provision of residential care services for the elderly. For details, please refer to the section headed "Business – Our customers – Top customers" in this document.

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our largest customer accounted for 67.7%, 65.9%, 65.4% and 65.1% of our total revenue, respectively, while our five largest customers in aggregate accounted for 99.2%, 99.6%, 97.0% and 94.4% of our total revenue, respectively. Our Directors are of the view that based on the Ipsos Report, customer concentration within the fitting-out industry is not uncommon and that our business is sustainable despite our customer concentration during the Track Record Period due to the fact that: (i) a small number of projects can contribute to a substantial amount of our revenue; (ii) sizeable fitting-out projects are concentrated among the top 10 property development in Hong Kong; (iii) revenue concentration among our major customers was a result of careful selection of our projects from quality customers; and (iv) we have demonstrated a downward trend on reliance on our major customers.

During the course of our business, there may be occasions where our customers pay on our behalf for fitting-out materials used under our projects and subsequently deduct such payments when settling our project payments. Such arrangements are commonly known as "contra-charge arrangement" and the amounts involved are known as "contra-charge". For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our contra-charge incurred amounted to approximately HK$0.4 million, HK$1.1 million, HK$52.4 million and HK$0.5 million, representing approximately 0.2%, 0.4%, 10.5% and 0.3% of our total direct costs for the same period, respectively.

For details of our customers, please refer to the section headed "Business – Our customers" in this document.

Sales and marketing and pricing strategy

We do not maintain a sales and marketing team. During the Track Record Period, we secured new businesses mainly through direct invitation for tendering by customers, which is considered by our Directors to be attributable to our proven track record and presence in the fitting-out industry. We adopt a cost-plus pricing model in order to determine our tender price. We take into account several factors such as (i) the cost; (ii) our overheads; (iii) the size of the project; (iv) our capacity; (v) our liquidity; (vi) our past working relationship with the potential customer; (vii) the reputation of the potential customer; and (viii) the financial strength and repayment record of the potential customer. We would then calculate the final cost estimation and price the bills of quantity.

For details of our pricing strategy, please refer to the section headed "Business – Our customers – pricing strategy" in this document.

Our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors who generally provide installation or other technical services such as plaster, ceiling, glass and metal works as well as installation of timber flooring, kitchen cabinetries and timber doors; (ii) suppliers of materials required for performing our fitting-out services such as finished furniture products, timber products, glass and metal; and (iii) suppliers of other miscellaneous services such as rental of machinery and equipment (which mainly include scaffold for use at our fitting-out worksites), transportation services and consultancy services (which mainly include outsourced safety consultancy services). While our subcontractors may during the course of performing their services supply certain materials, our material suppliers do not provide any installation or technical services and only supply materials directly sourced by us. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, the subcontracting charges incurred by us amounted to approximately HK$134.5 million, HK$203.1 million, HK$276.9 million and HK$121.4 million, respectively. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our largest supplier accounted for approximately 9.8%, 13.8%, 10.3% and 8.6% of our total purchases, respectively, while our five largest suppliers in aggregate accounted for approximately 24.8%, 22.2%, 31.3% and 24.7% of our total purchases, respectively. For the same period, our largest subcontractor accounted for approximately 16.7%, 14.2%, 12.7% and 10.4% of our total purchases, respectively, while our five largest subcontractors in aggregate accounted for approximately 45.0%, 53.9%, 32.4% and 36.1% of our total purchases, respectively.

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting charges	134,512	62.2	203,076	66.8	276,886	55.5	121,378	65.6
Direct materials	69,263	32.0	82,561	27.1	192,740	38.6	53,239	28.8
Staff costs	9,789	4.5	16,401	5.4	26,944	5.4	10,037	5.4
Rental of machinery and equipment	954	0.4	45	0.0	55	0.0	–	–
Other direct costs	1,859	0.9	2,071	0.7	2,224	0.5	465	0.2
Total	216,377	100.0	304,154	100.0	498,849	100.0	185,119	100.0

For details of our suppliers, please refer to the section headed "Business – Our suppliers" in this document.

Licences and qualifications

As advised by our HK Legal Counsel, there is no particular licence required to be obtained by our Group before we commence provision of fitting-out services except for the relevant business registration. All the necessary licences required for fitting-out projects in which our

Group is involved are to be obtained by the relevant property developer and main contractor. Nevertheless, Hoi Sing Decoration and Milieu are registered under the voluntary Subcontractor Registration Scheme of the Construction Industry Council. This is because based on our Directors' experience, some of our customers prefer to engage or would only engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council. The entry requirements for applications for registration under the Primary Register of the Subcontractor Registration Scheme include (i) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience within the last five years; (ii) listings on government registration schemes relevant to the trade and specialties for which registration is sought; (iii) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed the relevant training modules; and (iv) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the relevant management course. For details of such registration and the registration requirements, please refer to the sections headed "Regulatory overview – F. Subcontractor registration scheme" and "Business – Licences and qualifications" in this document.

Performance bonds

During the Track Record Period, we were not required to obtain performance bonds to secure our due and timely performance under our projects but we may be required to do so when we obtain new contracts in the future. As at the Latest Practicable Date, we had been awarded two contracts (i.e. Project 25 and Project 47 under the table of projects on hand set out in the paragraph headed "Recent development" in this section) at an original contract sum of approximately HK$15.8 million and HK$10.3 million, respectively, under which we were contractually required to obtain performance bonds from a bank to secure our due and timely performance. The performance bonds will be taken out upon further instructions from our customers. We had also submitted tenders for fitting-out projects as at the Latest Practicable Date with new customers which may require us to provide performance bonds. For details, please refer to the table of potential projects set out in the section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document. The amount of performance bonds to be obtained would amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of performance bonds to be obtained for the projects.

The potential increase in the amount of performance bonds to be provided as a result of our expansion through undertaking more sizeable fitting-out projects, in particular from new customers may adversely affect our liquidity position given that performance bonds are generally issued by banks and secured by deposits pledged with the banks. For details of such risk and the potential impact on our future financial performance, please refer to the section headed "Risk factors – Risks relating to our business – The amount of performance bonds we are required to provide may expose us to liquidity risk".

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

According to the Ipsos Report, the top five fitting-out contractors (in terms of market share in the fitting-out industry in Hong Kong in 2017) in aggregate accounted for approximately 15.6% of the total market share. The total revenue of the fitting-out industry in Hong Kong in 2017 was approximately HK$28.5 billion, according to the Ipsos Report. The total revenue of our Group for FY2016/17 was HK$346.4 million. Based on these figures, it is estimated that our Group's market share in the fitting-out industry in Hong Kong is approximately 1.2%.

For details of the respective background of the top five fitting-out contractors, please refer to the section headed "Industry overview – Competitive landscape and entry barriers" in this document.

We believe the competitive strengths which contribute to our historical success and future potential growth include: (i) our established reputation and proven track record in the fitting-out industry; (ii) our established long-term business relationships with leading property developers; and (iii) our strong management team with in-depth knowledge in the fitting-out industry.

For details of our competitive strengths, please refer to the section headed "Business – Competitive strengths" in this document.

BUSINESS STRATEGIES

The strategies we aim to pursue to further strengthen our market position in the fitting-out industry in Hong Kong include: (i) strengthening our financial position and expanding our workforce in order to expand our market share through undertaking more sizeable fitting-out projects; (ii) continue to emphasise and maintain high standards of project planning, management and implementation; and (iii) adhere to prudent financial management to ensure sustainable growth and capital sufficiency.

For details of our business strategies, please refer to the section headed "Business – Business strategies and future plans" in this document.

RISK FACTORS

There are certain risks involved in our Group's operations, many of which are beyond our Group's control. Material risks we face include: (i) concentration of revenue among our top five customers; (ii) the non-recurring nature of our revenue; (iii) the payment practice applied to our projects which may result in a cash flow gap; (iv) the risk of estimating time and costs involved in our projects inaccurately; (v) the risk of our subcontractors underperforming or becoming unavailable; (vi) the risk of not receiving our progress payments on time and in full or retention money not being fully released to us after expiry of the defects liability period; (vii) our historical growth rate, revenue and profit margin may not be indicative of our future financial performance; (viii) our revenue and profit margin may not be indicative of our future financial performance due to fluctuations driven by variation orders; (ix) the risks associated with experiencing net cash outflow from operating activities; (x) our dependence on key management and additional technical and management staff for our success; (xi) the risk of our projects being delayed due to factors beyond our control; (xii) the liquidity risk we may be exposed to as a result of the amount of performance bonds we are required to provide; (xiii) the risk of not being able to implement our business strategies and future plans successfully; (xiv) our exposure to disputes, claims or litigation; and (xv) the risk not having sufficient insurance coverage to cover all losses or potential claims we may be exposed to.

For details of the various risks and uncertainties we face, please refer to the section headed "Risk factors" in this document.

OUR PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Our revenue is typically derived from projects which are non-recurring in nature and our customers are under no obligation to award projects to us. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, the average duration of our fitting-out projects with revenue recognised was approximately 34 months, 36 months, 32 months and 31 months, respectively. Our Directors confirm that during the Track Record Period, we did not experience any material loss-making contracts. The below paragraphs set forth particulars of our projects undertaken during the Track Record Period.

Number of fitting-out projects by range of total contract sum

The following table sets forth a breakdown of the number of fitting-out projects with revenue recognised during the Track Record Period by range of total contract sum taking into account variation orders:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2018**
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
Total contract sum				
Above HK$100 million	1	3	4	5
HK$50 million to below HK$100 million	4	4	3	3
HK$10 million to below HK$50 million	21	24	24	20
HK$1 million to below HK$10 million	16	17	16	11
Below HK$1 million	28	21	17	5
Total	70	69	64	44
Average total contract sum	HK$13.0 million	HK$19.8 million	HK$22.8 million	HK$35.0 million

Backlog

As at 31 March 2016, 2017, 2018, 31 July 2018 and the Latest Practicable Date, we had a total of 41, 38, 27, 29 and 31 fitting-out projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with revenue derived or expected to be derived from such projects as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018	As at the Latest Practicable Date
Number of projects in our backlog					
– projects brought forward from the previous financial year	30	23	19	27	26
– projects commenced or awarded during the financial year/period	11	15	8	2	5
	41	38	27	29	31
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total estimated contract sum *(Note)*					
– projects brought forward from the previous financial year	586,085	623,815	846,811	1,240,203	1,071,678
– projects commenced or awarded during the financial year/period	233,063	522,192	265,511	70,903	190,681
	819,148	1,146,007	1,112,322	1,311,106	1,262,359
Total revenue attributable to such projects recognised on or before the date indicated	(528,363)	(651,238)	(609,361)	(919,205)	(901,072)
Total revenue attributable to such projects yet to be recognised as at the date indicated	290,785	494,769	502,961	391,901	361,287

Note: The total estimated contract sum represents the original estimated contract sum stated in the contract, or where applicable, subsequent adjustments due to variation orders.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the Track Record Period:

	FY2015/16 or as at 31 March 2016	FY2016/17 or as at 31 March 2017	FY2017/18 or as at 31 March 2018	Four months ended 31 July 2018 or as at 31 July 2018
(Expressed in HK$'000 except tender/quotation statistics and financial ratios)				
Results of operations				
Revenue	240,149	346,391	560,283	209,538
Gross profit	23,772	42,237	61,434	24,419
Profit before income tax	14,427	33,049	46,921	12,245
Profit for the year/period	11,860	27,139	38,594	9,309
Financial position				
Non-current assets	1,123	690	262	158
Current assets	118,921	147,449	160,345	178,694
Non-current liabilities	429	–	–	–
Current liabilities	106,324	117,709	91,583	100,623
Net current assets	12,597	29,740	68,762	78,071
Tender/quotation statistics				
Number of tenders/quotations submitted	106	74	93	15
Number of successful tenders/quotations	30	20	33	2
Success rate	28.3%	27.0%	38.4%	40.0%
Key financial ratios				
Gross profit margin	9.9%	12.2%	11.0%	11.7%
Net profit margin	4.9%	7.8%	6.9%	4.4%
Return on equity	89.2%	89.2%	55.9%	11.9%
Return on total assets	9.9%	18.3%	24.0%	5.2%
Current ratio	1.1	1.3	1.8	1.8
Trade receivables turnover days	29.2	26.1	16.2	16.7
Trade payables turnover days	101.6	88.0	37.6	26.1
Gearing ratio	181.3%	101.3%	50.6%	58.0%

(Expressed in HK$'000 except tender/quotation statistics and financial ratios)	**FY2015/16 or as at 31 March 2016**	**FY2016/17 or as at 31 March 2017**	**FY2017/18 or as at 31 March 2018**	**Four months ended 31 July 2018 or as at 31 July 2018**
Cash flows				
Net cash from operating activities	20,234	4,610	5,487	(7,412)
Net cash used in investing activities	–	(2)	(6)	(9)
Net cash (used in)/generated from financing activities	(13,611)	13,819	(8,875)	11,145
Net increase/(decrease) in cash and cash equivalents	6,623	18,427	(3,394)	3,724
Cash and cash equivalents at beginning of year/period	5,110	11,733	30,160	26,766
Cash and cash equivalents at end of year/period	11,733	30,160	26,766	30,490

Analysis on selected key operational and financial data

Revenue

The increase in our total revenue from FY2015/16 to FY2016/17 was attributable to (i) the increase in the number of relatively sizeable fitting-out services projects with revenue contribution of HK$1 million to below HK$50 million in FY2016/17; (ii) the revenue contributed by some of our major fitting-out projects undertaken or commenced during FY2016/17; and (iii) an increase in our banking facilities limit granted to us in March 2016 and March 2017 given the increasing trend in our business and financial performance.

The increase in our total revenue for FY2016/17 to FY2017/18 was attributable to (i) the increase in the number of sizeable fitting-out services projects with revenue contribution of HK$50 million or above in FY2017/18; (ii) the revenue contributed by some of our major fitting-out services projects undertaken or commenced during FY2017/18; and (iii) an increase in our banking facilities limit granted to us in March 2016 and March 2017 given the increasing trend in our business and financial performance.

Our revenue increased from approximately HK$167.3 million for the four months ended 31 July 2017 to approximately HK$209.5 million for the four months ended 31 July 2018, representing an increase of 25.2%. Such increase was attributable to (i) the increase in the number of relatively sizeable fitting-out services projects with revenue contribution of HK$10 million or above during the four months ended 31 July 2018; (ii) the revenue contributed by some of our major fitting-out projects undertaken or commenced during the four months ended 31 July 2018; and (iii) an increase in our banking facilities limit granted to us in March 2018 and June 2018 given the increasing trend in our business and financial performance.

Net current assets

The increase in our net current assets was mainly due to the increase in our current assets as a result of our business growth and our profitable operation during the Track Record Period, with the combined effect of the decrease in our current liabilities. As at 31 October 2018, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK$83.3 million which was relatively stable as compared with our net current assets as at 31 July 2018.

Success rate

In the above table, success rate for a financial year or period is calculated based on the number of contracts awarded (regardless of whether they were awarded in the same financial year or period or subsequently) in respect of the tenders/quotations submitted during that financial year. As at the Latest Practicable Date, 7 out of 93 tenders/quotations submitted in FY2017/18 and 10 out of 15 tenders/quotations submitted during the four months ended 31 July 2018 had not expired and the results were pending. These tenders/quotations were excluded for the purpose of determining the success rate.

Trade receivables turnover days

The credit period that we granted to customers generally ranged from 21 to 30 days. Fluctuation in our trade receivables turnover days during the Track Record Period was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Trade payables turnover days

The decrease in trade payables turnover days during the Track Record Period was primarily because we expedited the process of settling our trade payables in order to enhance business relationship with various suppliers.

Gearing ratio

Gearing ratio is calculated as total borrowings (including bank borrowings, finance lease liabilities and amount due to a director) divided by the total equity as at the respective reporting dates. The decrease in our gearing ratio from FY2015/16 to FY2017/18 was mainly due to repayment of amount due to a director and the increase in our total equity, despite the increasing amount of total bank borrowings. Our gearing ratio increased from approximately 50.6% as at 31 March 2018 to approximately 58.0% as at 31 July 2018, which was mainly due to the increase in our total bank borrowings as at 31 July 2018.

Net cash from operating activities

For FY2015/16, we recorded profit before income tax of approximately HK$14.4 million and net cash from operating activities of approximately HK$20.2 million. The difference was mainly due to the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 March 2016.

For FY2016/17, we recorded profit before income tax of approximately HK$33.0 million and net cash from operating activities of approximately HK$4.6 million. The difference was mainly due to (i) the cash advances by us to our Director (i.e. Mr. Man) for his personal use; and (ii) substantial net cash outflows for working capital needs due to major fitting-out projects undertaken or commenced during the year.

For FY2017/18, we recorded profit before income tax of approximately HK$46.9 million and net cash from operating activities of approximately HK$5.5 million. The difference was mainly due to substantial net cash outflows for working capital needs due to major fitting-out projects undertaken or commenced during the year, as well as substantial cash outflow for tax payment during the year.

For the four months ended 31 July 2018, we recorded profit before income tax of approximately HK$12.2 million and net cash used in operating activities of approximately HK$7.4 million. The difference was mainly due to (i) the repayment of amount due to a director during the four months ended 31 July 2018 and the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 July 2018; and (ii) the contract liabilities for Project 13, Project 15 and Project 16 utilised during the four months ended 31 July 2018.

Net cash (used in)/generated from financing activities

For FY2015/16, we recorded net cash used in financing activities of approximately HK$13.6 million, which was mainly attributable to the repayments of bank borrowings, partially offset by the proceeds from bank borrowings.

For FY2016/17, we recorded net cash generated from financing activities of approximately HK$13.8 million, which was mainly attributable to the proceeds from bank borrowings, partially offset by the repayments of bank borrowings.

For 2017/18, we recorded net cash used in financing activities of approximately HK$8.9 million, which was primarily due to the dividends paid and the repayments of bank borrowings, partially offset by the proceeds from bank borrowings.

For the four months ended 31 July 2018, we recorded net cash generated from financing activities of approximately HK$11.1 million, which was mainly attributable to the proceeds from bank borrowings, partially offset by the repayment of bank borrowings and interest paid.

SHAREHOLDER INFORMATION

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** and taking no account any Shares that may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme, Hoi Lang will hold **[REDACTED]**% of our

Shares in issue. The principal business of Hoi Lang is investment holding. On 4 June 2018, Mr. Man, Mrs. Man and Mr. Ho have entered into an acting in concert confirmation and undertaking, which they confirm and declare that, since 28 August 2014 the date on which Mr. Ho became a shareholder of Hoi Sing Decoration, (i) they have and shall continue to actively cooperate and communicate with each other, and have and shall continue to adopt a consensus building approach to reach decisions on a unanimous basis; (ii) they have and shall continue to vote as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of the Group at the shareholder and board levels of each member company of the Group; and (iii) in relation to all corporate matters that require the decisions of them, they have been given and shall continue to give sufficient time and information to consider and discuss in order to reach consensus. Accordingly, each of Mr. Man, Mrs. Man, Mr. Ho and Hoi Lang will be regarded as a group of Controlling Shareholders under the Listing Rules.

STATISTICS OF THE [REDACTED]

	Based on an [REDACTED] of HK$[REDACTED] *HK$*	Based on an [REDACTED] of HK$[REDACTED] *HK$*
Market capitalisation*(Note 1)*	**[REDACTED]** million	**[REDACTED]** million
Unaudited pro forma adjusted combined net tangible assets per Share*(Note 2)*	**[REDACTED]**	**[REDACTED]**

Notes:

1. The calculation of the market capitalisation of our Shares is based on **[REDACTED]** Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

2. The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at with reference to certain bases and assumptions. Please refer to Appendix II to this document for further details.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately HK$**[REDACTED]** million. Out of the amount of approximately HK$**[REDACTED]** million, approximately HK$**[REDACTED]** million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately HK$**[REDACTED]** million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$**[REDACTED]** million that shall be charged to profit or loss, nil, nil, approximately HK$**[REDACTED]** million and approximately HK$**[REDACTED]** million, has been charged for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively, and approximately HK$**[REDACTED]** million is expected to be incurred for the remaining eight months ended 31 March 2019. Expenses in relation to the **[REDACTED]** are non-recurring in nature. Our Group's financial performance and results of operations for FY2018/19 will be adversely affected by the estimated expenses in relation to the **[REDACTED]**.

FUTURE PLANS AND [REDACTED]

Our Directors believe that the **[REDACTED]** of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the fitting-out industry in Hong Kong. We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range), will be approximately HK$**[REDACTED]** million, after deduction of **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]**. We intend to apply the **[REDACTED]** of the **[REDACTED]** for the following purposes: (i) approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for payment of upfront costs for new projects such as payment of subcontracting charges and costs of materials; (ii) approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for obtaining performance bond; (iii) approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for repaying our bank borrowings; (iv) approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for expanding our workforce; and (v) approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for general working capital of our Group.

For details of our future plans and use of **[REDACTED]**, please refer to the section headed "Future plans and use of **[REDACTED]**" in this document.

LEGAL PROCEEDINGS AND CLAIMS

Save for one of our recorded work injury accidents which might give rise to potential employees' compensation and/or personal injury claims, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

For details, please refer to the section headed "Business – Legal proceedings and claims" in this document.

DIVIDEND

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, we declared dividends of nil, HK$10.0 million, nil and nil, respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had a total of 31 projects that have commenced but not completed and projects that have been awarded to us but works have not yet been commenced) among which 24 were major projects with total contract sum exceeding HK$10.0 million each and 7 were projects with total contract sum less than HK$10.0 million each. The aggregate total contract sum of these 7 projects each with total contract sum less than HK$10.0 million was approximately HK$24.4 million. The following table sets forth the details of our major projects on hand with total contract sum exceeding HK$10.0 million each as at the Latest Practicable Date (in descending order by contract sum):

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)*	Revenue recognised during the Track Record Period FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018	Revenue to be recognised	Percentage of completion as at the Latest Practicable Date
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	%
Project 8	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	197,972	–	22,587	130,086	31,656	13,643	99.6
Project 13	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2017 to September 2019	177,033	–	–	– *(Note 4)*	37,142	139,891	52.7
Project 10	Customer H	STTL No. 578, Area 56A, Kau To Shan	Fitting-out services for a residential development project	Supply and installation of cabinets, timber doors and timber flooring and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	May 2017 to March 2019	140,000	–	–	83,202	22,518	34,280	85.0
Project 1	Customer A	No.9 Long Yat Road, Yuen Long	Fitting-out service for a residential development project	Supply and installation of timber door and cabinets and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2014 to February 2019	128,402	62,299	41,981	14,744	2,031	3,775	97.1
Project 52	Customer A	TMTL No. 515, Tuen Mun	Fitting-out services for a residential development project	Supply and installation of cabinets and doors and provision of ceiling and metal works in residential units	December 2018 to April 2020	78,875	–	–	–	–	78,875	–
Project 11	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets within residential units	October 2015 to December 2018	65,745	3,468	10,366	35,684	11,513	4,714	98.6
Project 14	Customer B	No. 18 Hanoi Road, Tsim Sha Tsui	Fitting-out services for a shopping mall	Supply and installation of cabinets and timber doors and provision of ceiling glass and metal works within atrium, toilets, corridors, tunnels, amenity area and lift lobbies	May 2018 to November 2019	55,103	–	–	–	13,497	41,606	52.9
Project 15	Customer A	STTL No. 581, Yiu Sha Road, Whitehead, Ma On Shan	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of glass and metal works within residential units, lift lobbies and lifts	July 2017 to March 2019	44,060	–	–	4,311	8,543	31,206	53.5

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)* HK$'000	Revenue recognised during the Track Record Period FY2015/16 HK$'000	FY2016/17 HK$'000	FY2017/18 HK$'000	Four months ended 31 July 2018 HK$'000	Revenue to be recognised HK$'000	Percentage of completion as at the Latest Practicable Date %
Project 16	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets and kitchen wall finishing within residential units	July 2017 to December 2019	37,984	–	–	– *(Note 4)*	2,317	35,667	46.1
Project 7	Customer A	No. 11 Tak Yip Street, Yuen Long	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of painting, ceiling, glass and metal works within residential units, lift lobbies and lifts	February 2016 to August 2018	30,784	–	26,434	3,808	364	178	99.6
Project 37	Customer A	Pak Tai Street, Ma Tau Kok	Fitting-out services for a residential building	Supply and installation of cabinets and door and provision of ceiling and glass works in residential units, lobbies and lifts	December 2018 to November 2019	30,615	–	–	–	–	30,615	0.4
Project 17	Customer B	No. 1 Kai Yuen Street, North Point	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units	August 2016 to December 2018	26,991	–	7,167	15,567	3,596	661	99.8
Project 18	Customer C	No. 88 Castle Peak Road Kwu Tung, Fanling	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units	September 2017 to March 2019	26,981	–	–	2,114	9,750	15,117	59.7
Project 19	Customer B	STTL No. 520, Tai Wai	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units, basements and platforms	February 2018 to June 2019	26,718	–	–	– *(Note 4)*	679	26,039	11.1
Project 12	Customer I	Unit 1, L1/F, Ming Chuen House, Shui Chuen O Estate, Sha Tin	Fitting-out services for a residential care centre for the elderly	Supply and installation of kitchen cabinet and timber door and provision of plaster, painting, ceiling, glass and metal works within a residential care centre for the elderly	July 2017 to December 2019	26,667	–	–	23,702	2,477	488	98.3
Project 20	Customer A	STTL No. 581, Yiu Sha Road, Whitehead, Ma On Shan	Fitting-out services for a residential development project	Provision of ceiling works within residential units and lobbies	September 2017 to March 2019	24,357	–	–	2,383	5,141	16,833	55.0
Project 21	Customer A	No. 23 Babington Path, Sai Wan	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	April 2016 to June 2018	23,502	–	14,203	7,429	1,367	503	99.9
Project 22	Customer A	TCTL No. 36, Area 55A, Tung Chung	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	August 2014 to March 2019	18,132	5,827	11,039	492	–	38	99.8
Project 24	Customer A	TMTL No. 509, Tuen Mun	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units and lobby corridors	July 2017 to October 2018	16,043	–	–	10,476	4,053	1,514	98.8
Project 25	Non top five customer	YTIL No. 42, 1 Lei Tue Mun Path, Lei Yue Mun	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets within residential units	May 2018 to February 2019	15,800	–	–	–	2,365	13,435	31.0
Project 26	Customer C	STTL No. 502, Lok Wo Sha, Ma On Shan	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units and platforms	April 2015 to August 2018	13,622	8,606	3,355	86	64	264	98.1

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)*	Revenue recognised during the Track Record Period FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018	Revenue to be recognised	Percentage of completion as at the Latest Practicable Date
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Project 27	Customer A	No. 18 Castle Peak Rd Tam Mi, Yuen Long	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	September 2016 to March 2019	11,568	–	2,880	5,811	–	2,877	97.5
Project 28	Customer C	No. 88 Castle Peak Road Kwu Tung, Fanling	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	October 2018 to March 2019	10,736	–	–	–	1,383	9,353	50.0
Project 47	New customer	Nos. 45–65A Pok Fu Lam Road, Hong Kong	Fitting-out services for a residential building	Supply and installation of cabinets within residential units	December 2018 to November 2019	10,288	–	–	–	–	10,288	–

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location. Projects 1 to 14 were our major projects in terms of revenue contribution undertaken during the Track Record Period, among which Projects 1, 7, 8, 10, 11, 12, 13 and 14 were still ongoing as at the Latest Practicable Date. For details of our major projects undertaken during the Track Record Period, please refer to the paragraph headed "Our projects undertaken during the Track Record Period – Major projects" in this section.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer or our Directors' estimation (in respect of Projects 37, 47 and 52 which were expected to commence in December 2018) and the project completion date is determined based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

4. The project start dates for these projects are determined based on the date of the letter of award. As confirmed by our Directors, works for these projects had not yet commenced as at 31 March 2018. As such, no revenue was recognised for these projects during FY2017/18.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted 23 tenders/quotations with aggregate expected contract sum of approximately HK$609.9 million.

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 July 2018, and there had been no events since 31 July 2018 which would materially affect the information shown in our combined financial statements included in the accountants' report set out in Appendix I to this document.

In this document, unless the context otherwise requires, the following expressions have the following meanings.

[REDACTED]

"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 6 December 2018 with effect from the **[REDACTED]**, a summary of which is set out in Appendix III to this document, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Building Authority"	has the meaning ascribed thereto under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"business day"	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate

[REDACTED]

"Cayman Companies Law" or "Companies Law"	The Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participants"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chun Shing Development"	Chun Shing Development Co., Limited (晉勝發展有限公司), a limited liability company incorporated in Hong Kong on 29 January 2015 and is an indirect wholly-owned subsidiary of our Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Yield Go Holdings Ltd. (耀高控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 9 May 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Construction Industry Council"	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Man, Mrs. Man, Mr. Ho and Hoi Lang
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 6 December 2018 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "Statutory and general information – E. Other information – 1. Tax and other indemnities" in Appendix IV to this document
"Deed of Non-Competition"	the deed of non-competition dated 6 December 2018 given by our Controlling Shareholders and our executive Directors in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the section headed "Relationship with our Controlling Shareholders" in this document
"DEVB"	the Development Bureau of the HKSAR
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Employees' Compensation Ordinance"	Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"FY2015/16"	the financial year ended 31 March 2016
"FY2016/17"	the financial year ended 31 March 2017
"FY2017/18"	the financial year ended 31 March 2018
"FY2018/19"	the financial year ending 31 March 2019
"Government"	the government of Hong Kong

"Great Gold Development"	Great Gold Development Limited (金浩發展有限公司), a limited liability company incorporated in Hong Kong on 12 May 2004 and is currently wholly-owned by an independent third party
"Great Gold Huizhou"	Great Gold Wujin Furniture (Huizhou) Company Limited* (金浩五金家私制品(惠州)有限公司), a limited liability company established in the PRC on 18 June 2007 and is wholly-owned by Great Gold Development
"Group", "our Group", "we, "us" or "our"	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
"Haicheng Huizhou"	Haicheng Wujin Furniture (Huizhou) Company Limited* (海城五金家私制品(惠州)有限公司), a limited liability company established in the PRC on 15 December 2009 and is wholly-owned by Great Gold Development
"Haicheng Sichuan"	Haicheng (Sichuan) Decoration Engineering Company Limited* (海城(四川)裝飾工程有限公司), a limited liability company established in the PRC on 28 January 2008 and is wholly-owned by Great Gold Development
"HKD" or "HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK Legal Counsel"	Mr. Chan Chung, barrister-at-law, legal counsel to our Company as to Hong Kong law
"Hoi Lang"	Hoi Lang Holdings Ltd. (凱朗控股有限公司), a limited liability company incorporated in the BVI on 8 May 2018 and is owned by Mr. Man, Mrs. Man and Mr. Ho as to 50%, 30% and 20%, respectively
"Hoi Sing Construction"	Hoi Sing Construction (H.K.) Limited (海城建築(香港)有限公司), a limited liability company incorporated in Hong Kong on 21 February 2001 and is an indirect wholly-owned subsidiary of our Company

"Hoi Sing Decoration"	Hoi Sing Decoration Engineering Company Limited (海城裝飾工程有限公司), a limited liability company incorporated in Hong Kong on 21 September 1995 and is an indirect wholly-owned subsidiary of our Company
"Hoi Sing Holdings"	Hoi Sing Holdings (HK) Limited (海城集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 29 January 2007 and is owned by Mr. Man and Mrs. Man as to 50% and 50%, respectively
"Hoi Sing International"	Hoi Sing International (HK) Limited (海城國際(香港)有限公司), a limited liability company incorporated in Hong Kong on 25 March 2014 and is wholly-owned by Mr. Man Hoi Wang, Michael, the son of Mr. Man and Mrs. Man
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

"independent third party(ies)"	a person or entity who is not a connected person of our Company under the Listing Rules
"Ipsos"	Ipsos Limited, an independent market research agency
"Ipsos Report"	a market research report commissioned by us and prepared by Ipsos on the overview of the industry in which our Group operates
"Latest Practicable Date"	5 December 2018, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
"Link Shing"	Link Shing Holdings Ltd. (領成控股有限公司), a limited liability company incorporated in the BVI on 11 May 2018 and is a direct wholly-owned subsidiary of our Company

[REDACTED]

"Listing Committee"	the Listing sub-committee of the board of director of the Stock Exchange

[REDACTED]

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company, conditionally adopted on 6 December 2018 which will become effective on the **[REDACTED]**, a summary of which is set forth in Appendix III to this document, and as amended from time to time
"Milieu"	Milieu Wooden Company Limited (美耐雅木業製品有限公司), a limited liability company incorporated in Hong Kong on 16 December 2010 and is an indirect wholly-owned subsidiary of our Company
"Mr. Ho"	Mr. Ho Chi Hong (何志康), an executive Director, our chief executive officer and one of the Controlling Shareholders
"Mr. Man"	Mr. Man Hoi Yuen (文海源), an executive Director, the chairman of our Board, one of the Controlling Shareholders and spouse of Mrs. Man
"Mrs. Man"	Ms. Ng Yuen Chun (吳婉珍), an executive Director, one of the Controlling Shareholders and spouse of Mr. Man

[REDACTED]

[REDACTED]

"PRC" or "China"	the People's Republic of China, and for the purpose of this document, excludes Hong Kong, Macau and Taiwan

[REDACTED]

"private sector"	a sector within the construction industry in which the project owner of the construction projects is not the Government nor a statutory body

[REDACTED]

[REDACTED]

"public sector"	a sector within the construction industry in which the project owner of the construction projects is the Government or a statutory body
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the **[REDACTED]** as described in the section headed "History, development and reorganisation" in this document
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholder, further details of which are contained in the paragraphs headed "A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 6 December 2018" in Appendix IV to this document
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)

[REDACTED]

"Share Option Scheme"	the share option scheme conditionally adopted by the written resolutions of our sole shareholder passed on 6 December 2018, the principal terms of which are summarised in the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this document

[REDACTED]

"Sole Sponsor"	Grande Capital Limited, the sole sponsor for the **[REDACTED]** and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activities under the SFO
"sq.ft."	square foot
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subcontractor"	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this document
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018

[REDACTED]

"United States" or "U.S."	the United States of America
"U.S. Securities Act"	United States Securities Act of 1933, as amended, modified and supplemented from time to time
"US$"	United States dollars, the lawful currency of the United States of America
"variation order(s)"	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site

[REDACTED]

"%"	per cent

The English names of the PRC entities mentioned in this document which are marked with "" are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as "aim", "anticipate", "believe", "estimate", "expect", "going forward", "intend", "may", "plan", "potential", "predict", "propose", "seek", "should", "will", "would" and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group's business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group's business;
- our Company's dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future developments in the industry in which our Group operates; and
- the trend of the economy of Hong Kong and the world in general.

These statements are based on various assumptions, including those regarding our Group's present and future business strategy and the environment in which our Group will operate in the future.

Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group's future performance may be affected by various factors including, without limitation, those discussed in the sections headed "Risk factors" and "Financial information" of this document.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section.

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

Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the **[REDACTED]**. *If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

RISKS RELATING TO OUR BUSINESS

Our top five customers accounted for a major portion of our revenue and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial performance

Our top five customers accounted for 99.2%, 99.6%, 97.0% and 94.4% of our revenue for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively, among which 67.7%, 65.9%, 65.4% and 65.1% of our total revenue were attributable to our largest customer for the same period. We do not enter into any long-term agreements with our customers as contracts are awarded to us on a project basis either through a tender process or a quotation invitation.

We cannot assure you that we will be able to retain our major customers in the future. Our results of operations, profitability and liquidity may be materially and adversely affected if we are unable to secure new projects from our major customers or fail to procure similar level of business from new customers on comparable commercial terms to offset the loss of revenue from our major customers.

In addition, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers. If any of our top five customers shall become unwilling or unable to make payments, we may be unable to recover significant amounts of trade receivables and our cash flow and financial position may be materially and adversely affected.

Our revenue is mainly derived from projects which are non-recurring in nature and there is no guarantee that our customers will provide us with new businesses

Our revenue is typically derived from projects which are non-recurring in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through direct invitation for quotation or tender by customers. We cannot assure you that (i) we will be invited to provide quotations or participate in the tendering process for new projects; and (ii) our submitted quotations and tenders will be selected by customers. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, we recorded a tender/quotation success rate of approximately 28.3%, 27.0%, 38.4% and 40.0%, respectively. Our Directors consider that our tender/quotation success rate depends on a range of factors, which primarily include our tender/quotation price and our track records. We cannot assure you that we can achieve the same or higher tender/quotation success rate in the future as we did in the past. In the event that we fail to secure new contracts or there is a significant decrease in the number of tender/quotation invitations or contracts available for bidding in the future, our business, financial position and prospects may materially and adversely affected.

We face liquidity risk in relation to working capital requirements associated with undertaking contract works and possible failure by customers to make timely or full payments

When undertaking contract works, our Group may incur net cash outflows at the early stage of carrying out our works when we are required to pay the initial expenditures (such as purchase of materials) and/or our subcontractors prior to payment received from our customers. Our customers will pay progress payments after our works commence and after such works and payments have been confirmed and certified by our customers. Therefore, there are often time lags between making payments to our suppliers and receiving payments from our customers, resulting in possible liquidity risk. If we choose to pay our suppliers only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality suppliers for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an examination process on works completed and we cannot guarantee that our customers will pay in a timely manner or pay the full amount invoiced by us.

If we fail to properly manage our liquidity position in view of such working capital requirements associated with undertaking contract works, our cash flows and financial position could be materially and adversely affected.

We determine our quotation or tender price based on the estimated time and costs involved in a project and any material inaccurate estimation or cost overrun may adversely affect our financial results

When determining our quotation or tender price, our management would estimate the time and costs involved in a project. We cannot assure you that the actual amount of time and costs during the performance of our projects will not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances.

Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our financial condition, profitability and liquidity.

Underperformance or unavailability of our subcontractors may materially and adversely affect our operation and profitability

We have in the past relied on and expect to continue to rely on our subcontractors to complete a substantial part of our projects. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our subcontracting charges amounted to approximately HK$134.5 million, HK$203.1 million, HK$276.9 million and HK$121.4 million, respectively. We maintain an internal list of approved subcontractors, which is updated on an ongoing basis. Changes in our subcontracting charges may be resulted from changes in labour costs and materials or project-specific requirements. Therefore, we may suffer from cost overrun or even losses in the relevant projects if the subcontracting charges we need to pay exceed our initial estimation due to project delays.

Moreover, we cannot assure you that the quality of works completed by our subcontractors can always meet our customers' requirements. We rely on the due and timely performance of our subcontractors for timely delivery of our works. If our subcontractors' performance are not up to standard, we may not be able to rectify the substandard works or engage another subcontractor in time or at all. We may also not be able to replace materials of inferior quality procured by our subcontractors in time or at all or unless at extra costs. Any material non-performance, delayed performance or substandard performance of our subcontractors could result in deterioration of our service quality or unexpected delays in our scheduled completion time or even our ability to complete our projects, which could in turn damage our reputation, and potentially expose us to liability under the main contracts with our customers.

In addition, we cannot assure you that we can secure suitable subcontractors when required or obtain acceptable fees and terms of service with our subcontractors, as these may be affected by factors beyond our control, such as the number of available or on-going projects in the market or pricing policy and business strategies of our subcontractors. In such event, our operation and profitability may be adversely affected.

If we are unable to receive progress payments on time and in full or recover our contract assets, or if retention money is not fully released to us after expiry of the defects liability period, our liquidity and financial position may be materially and adversely affected

We generally receive monthly progress payments from our customers according to the work done or service rendered. Such monthly progress payments are assessed and agreed to by our customers before we issue an invoice to them. For further details of the key payment terms of our projects, please refer to the section headed "Business – Our customers – Principal terms of engagement with our customers" in this document.

Some of our fitting-out contracts provide that our customers shall be entitled to retain up to 10% of each progress payment, in aggregate subject to a maximum retention of 5% of the total contract sum as retention money. As at 31 March 2016, 2017, 2018 and 31 July 2018, our retention receivables amounted to approximately HK$2.9 million, HK$8.9 million, HK$4.8 million and HK$12.8 million, respectively.

Contract assets primarily relate to our Group's rights to consideration for work completed but not yet billed at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional upon rending of the billings. Our Group recorded contract assets of approximately HK$62.5 million, HK$67.7 million, HK$94.5 million and HK$91.7 million as at 31 March 2016, 2017 and 2018 and 31 July 2018, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed "Financial information – Discussion on selected statement of financial position items – Contract assets and liabilities" in this document.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

Our historical growth rate, revenue and profit margin may not be indicative of our future financial performance

For FY2015/16, FY2016/17, FY2017/18 and and the four months ended 31 July 2018, our revenue amounted to approximately HK$240.1 million, HK$346.4 million, HK$560.3 million and HK$209.5 million, respectively. For the same period, our net profit amounted to approximately HK$11.9 million, HK$27.1 million, HK$38.6 million and HK$9.3 million while our gross profit amounted to approximately HK$23.8 million, HK$42.2 million, HK$61.4 million and HK$24.4 million, respectively, whereas our gross profit margin was 9.9%, 12.2%, 11.0% and 11.7%, respectively. For a detailed discussion of our results of operation, please refer to the section headed "Financial information".

There is an inherent risk in using our historical financial information to project our future financial performance, as they do not have any positive implication or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Hong Kong, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects.

In addition, our profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting a tender; (ii) the complexity and size of the project; (iii) subcontracting charges; and (iv) our pricing strategy. We cannot assure you that our profit margin will remain stable in the future and that we can maintain our current level of performance.

Our revenue and profit margin are subject to fluctuations driven by variation orders, and our historical revenue and profit margin may not be indicative of our future financial performance

Our customers may, in the course of project execution, place orders concerning variation to part of the fitting-out services that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our total revenue amounted to approximately HK$240.1 million, HK$346.4 million, HK$560.3 million and HK$209.5 million, of which our revenue recognised for variation orders amounted to approximately HK$8.8 million, HK$21.1 million, HK$39.5 million and HK$28.5 million, respectively. For further details on variation orders, please refer to the section headed "Business – Our customers – Contracts for fitting-out services – Variation orders" in this document.

Given the nature of our business, our revenue and profit margin are inherently subject to fluctuations driven by variation orders. Our revenue and profit margin is affected by the amount of variation orders requested by our customers and the timing of their requests from year to year. The amount and timing of variation orders vary depending on the practice and procedures of our customers, the complexity and scale of the variation orders and the number of variation orders involved. Where the works under the variation order is the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with the bills of quantity in the original contract. If there was no equivalent or similar items under the original contract for reference, we will further agree on the rates with our customers. We cannot assure you that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts. Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders. As a result, we cannot assure you that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

Net cash outflow from operating activities may materially and adversely affect our business, financial condition and results of operation

We recorded net cash used in operating activities of approximately HK$7.4 million for the four months ended 31 July 2018 due to (i) the repayment of amount due to a director during the four months ended 31 July 2018 and the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 July 2018; and (ii) the contract liabilities for Project 13, Project 15 and Project 16 utilised during the four months ended 31 July 2018. Please refer to the section headed "Financial information – Liquidity and capital resources – Cash flows from operating activities" in this document for further details. We cannot assure you that we will not experience net cash outflow in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. If we do not have sufficient cash to fund our future capital requirements, settle our trade payables and outstanding debt obligations when they become due, we may need to significantly increase our external borrowings. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or curtail our business expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our success depends significantly on our key management and our ability to attract and retain additional technical and management staff

Our success and growth depend to a large extent on our ability to retain the services of our key management personnel including Mr. Man, being an executive Director and the chairman of our Board, Mrs. Man, an executive director, and Mr. Ho, being an executive Director and our chief executive officer. Our Directors believe that our key management personnel possess the relevant knowledge, experience and skills, especially in their familiarity with our business, relationship with our customers and expertise and therefore is essential to us in carrying out our business and future plans.

The expertise of our project management staff is crucial in improving our overall project management and implementation in a cost-effective manner so as to improve our profit margin. Our success and growth also depends on our ability to identify, hire, train and retain suitable skilled and qualified employees. We cannot assure you that we will be able to attract and retain our key management personnel or project management staff. If we fail to retain capable and experienced employees or find suitable replacements in a timely manner, our business, financial condition and results of operation may be materially and adversely affected.

Project delays may materially affect our reputation and financial position

Our projects are subject to specific completion schedule requirements with liquidated damages levied against us if we fail to meet the schedule. Liquidated damages are typically levied at an agreed rate of the contract sum for each day of delay, in which the delay is caused by us. The actual time to complete a project may be adversely affected by various factors which are beyond our control, including typhoon and other natural disasters, shortage of materials and labour, additional variations to the original project plan as a result of additional requests from our customers or technical needs, disputes with our subcontractors, accidents and other unforeseen problems or circumstances. We cannot assure you that the time extension, if granted by our customers, will be sufficient for the actual work to be carried out. We had not been required to pay any material liquidated damages in our projects undertaken during the Track Record Period and up to the Latest Practicable Date. We cannot assure you that we will not be charged with any liquidated damages in the future. Any failure to meet the time requirements in our contracts could lead to significant liquidated damages payable by us, which may materially and adversely affect our reputation and financial position.

If our revenue does not increase proportionately with our staff costs in light of our expansion plan, our liquidity and financial position may be materially and adversely affected

Although we strategically subcontract on-site labour intensive works to our subcontractors in order to optimise our business operation, our Directors consider that going forward, it may be beneficial for us to carry out the labour intensive works using our own direct labour resources rather than subcontracting since the use of our own labour resources would generally lead to a higher profit margin for our Group as compared to that of the adoption of subcontractors since we have more control as to the profit markup, as well as more control on the availability of labour resources and their performance. In addition, we may also need to hire additional project management and office staff to cope with our expansion plan. We intend to apply approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (approximately HK$**[REDACTED]** million) for expanding our workforce through hiring a total of 44 additional staff. For details on how we intend to apply **[REDACTED]** from the **[REDACTED]** for strengthening our manpower, please refer to the section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document.

As a result, we may face increasing staff costs as compared to our staff costs incurred during the Track Record Period in light of our expansion plan. We cannot assure you that our revenue will increase proportionately with our staff costs under our expansion plan. If we are unable to generate revenue proportionately with our increased staff costs, our liquidity and financial position may be materially and adversely affected.

The amount of performance bonds we are required to provide may expose us to liquidity risk

During the Track Record Period, we were not required to obtain performance bonds for our projects but we may be required to do so when we obtain new contracts in the future. As at the Latest Practicable Date, we had been awarded two contracts (i.e. Project 25 and Project 47 under the table of projects on hand set out in the section headed "Business - Our projects undertaken during the Track Record Period – Projects on hand" in this document) at an original contract sum of approximately HK$15.8 million and HK$10.3 million, respectively, under which we were contractually required to obtain performance bonds from a bank in order to secure our due and timely performance. The performance bonds will be taken out upon further instruction from our customers. We had also submitted tenders for fitting-out projects as at the Latest Practicable Date with new customers which may require us to provide performance bonds. For details, please refer to the table of potential projects set out in the section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document. The amount of performance bonds to be obtained would amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of performance bonds to be obtained for the projects.

Given our intention to expand our market share through undertaking more sizeable fitting-out projects, in particular from new customers, we may inevitably encounter tender/quotation invitations that require us to obtain performance bonds to secure our performance. The performance bonds are generally issued by banks and secured by deposits pledged with the banks. Significant amount of cash deposits pledged may adversely affect our liquidity position. Further, if we fail to perform our obligations under contracts, the bank will compensate our customers up to the amount of the performance bond on demand and in turn we will then become liable to compensate the bank. In such circumstances, our business, financial condition and results of operations will be adversely affected.

We may not be able to implement our business strategies and future plans successfully

Whether we can successfully implement our business strategies and future plans as described in the section headed "Future plans and **[REDACTED]**" in this document are based on current estimates and assumptions and depend on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as general market conditions in Hong Kong and changes in government policy or regulatory regime of the fitting-out industry in Hong Kong. We cannot assure you that we can implement our business strategies and future plans successfully. If we fail to do so, our profitability and prospects may be materially and adversely affected.

We are exposed to disputes, claims or litigation

As a fitting-out contractor, we are subject to claims in respect of various matters from our customers, suppliers, subcontractors, workers and other parties concerned with our projects from time to time. Such claims may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to the works. In addition, we may, from time to time, face prosecutions relating to labour safety offences arising from our or our subcontractors' failure to comply with relevant work safety legislation or other health or environmental offences. Any of such claims may cause us to incur material costs or losses hence materially and adversely affect our business, financial condition and results of operations. Further, the outcome of a claim is subject to relevant parties' negotiation, decision of the court or relevant arbitration organisation and it can be unfavourable to us. Should such claims fall outside of the scope and/or limit of our insurance coverage or retention moneys retained from our subcontractors, our financial position and results of operation may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover all losses or potential claims that we may be exposed to in the future

We are generally protected by both the contractor's all risks and third party liability insurance and employees' compensation insurance which, depending on the terms of the relevant contracts, are taken out either by the project owners or their main contractors. We cannot assure you that the current level of insurance we maintain is sufficient to cover all potential risks and losses that we may be potentially exposed to. Should any significant property damage or personal injury occur in our worksites due to accidents, natural disasters, or similar events which are not wholly or sufficiently covered by insurance, our business may be materially and adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss. In the event that we incur unexpected losses or losses that far exceed the policy limits, our business, financial position, results of operation and prospects may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our industry is fragmented and competitive

According to the Ipsos Report, the fitting-out industry in Hong Kong is fragmented and competitive and there are no particular licensing requirements for carrying out fitting-out works in the private sectors. According to the Construction Industry Council, as of 31 October 2018, there were 700 companies registered as subcontractor under the category of renovation and fitting-out with the Construction Industry Council. Some of our competitors may have more resources, longer operating histories, stronger relationship with customers and reputable brand names and therefore we may face competition from other existing and/or new contractors in the tender process for fitting-out projects. Due to the large number of competitors, we may face significant downward pricing pressure thereby reducing our profit margins. We cannot assure you that our profit margin will not decline as a result of the price pressure. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts. If we fail to maintain our competitiveness in the future, our business, financial condition and results of operation may be materially and adversely affected.

Escalating labour costs and an aging labour force may materially and adversely affect our profit margin

According to the Ipsos Report, similar to the construction industry in Hong Kong, fitting-out contractors also face the problem of increasing construction costs due to the inflation of labour costs. The average daily wages of workers in the fitting-out industry in Hong Kong increased by 36.7% between 2013 and 2017, reaching HK$1,285.0 per day in 2017. The significant increase in labour costs may result in an increase in subcontracting charges, thereby reducing our profit margin.

In addition, according to the Ipsos Report, an aging labour force may threaten the development of the fitting-out industry. According to the Construction Industry Council, as of September 2018, nearly 41.9% of 473,110 registered workers in Hong Kong were aged 50 or above. This implies potential labour shortage problems in the future, which may further escalate labour costs in the industry. Our subcontractors may pass on the increase in their labour costs to us by increasing their subcontracting charges. In the event labour costs continue to increase and we fail to pass on the increased costs to our customers, our profitability may be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur at work sites

Notwithstanding our occupational health and safety measures that are required to be followed by employees of our Group and our subcontractors, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. There is no assurance that there will not be any violation of our safety measures or other related rules and regulations by the employees of our Group or our subcontractors. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations as well as our financial position to the extent not covered by insurance policies.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on our business operations.

Any future changes in existing laws, regulations and Government policies, including but not limited to the introduction of more stringent laws and regulations on licensing, environment protection, labour safety, etc. may cause us to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and Government policies. There is no assurance that we will be able to respond to any such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. If there are any changes to and/or imposition of the requirements for qualification in the fitting-out industry in relation to environment protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Conducting business in Hong Kong involve certain political risks

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems". However, we cannot assure you that the implementation of the "one country, two systems" principle and the level of autonomy as currently in place will be maintained in the future. Any change of such political arrangements may have an impact on the economy in Hong Kong, thereby directly affecting our Hong Kong operation. Our business, financial condition and results of operation may as a result be materially and adversely affected.

Our financial performance may be adversely affected by any downturn in the Hong Kong market

During the Track Record Period, our revenue was solely derived from our operation in Hong Kong. We specialise in providing fitting-out services to residential properties in the private sector in Hong Kong. To a lesser extent, we also supply fitting-out materials such as timber products upon customers' requests in Hong Kong. Any unforeseen circumstances, such as natural disasters, economic recession, outbreak of an epidemic and any other incidents in Hong Kong may hinder the economic growth in Hong Kong, thereby materially and adversely affecting our business, financial condition and results of operation.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has not been any prior public market for our Shares and an active trading market may not develop

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the **[REDACTED]**, there has been no public market for our Shares. The **[REDACTED]** was the result of negotiation between our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and the **[REDACTED]** may not be indicative of the price at which our Shares will be traded following completion of the **[REDACTED]**. In addition, we cannot assure you that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the **[REDACTED]**, or that the trading price of our Shares will not fall below the **[REDACTED]**.

Shareholders' interests may be diluted as a result of additional equity financing or additional Shares being issued by us in the future

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

In addition, we may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and price of our Shares may fluctuate. Further, any disposal of a substantial number of Shares by our Controlling Shareholders in the public market may adversely affect market price of our Shares

The trading volume and price of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation may cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Further, we cannot assure you that our Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders on the market price of the Shares. Sale of our Shares by any of our Controlling Shareholders may materially and adversely affect the prevailing market price of our Shares.

The [REDACTED] is entitled to terminate the [REDACTED]

Prospective investors should note that the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) is entitled to terminate its obligations under the **[REDACTED]** by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "**[REDACTED]** – Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the **[REDACTED]**. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

Difficulties in enforcing Shareholder rights due to difference in jurisdictions

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. Our corporate affairs are governed by, among others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, action by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Granting options under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the paragraph headed "D. Share Option Scheme" in Appendix IV to this document.

RISKS RELATING TO THIS DOCUMENT

We cannot assure you that we will declare or distribute any dividend in the future

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. We cannot assure you that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Certain facts, statistics and data contained in this document have not been independently verified and may not be reliable

Certain facts, statistics and data in this document are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire document and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports

There may be press and media coverage regarding our Group or the **[REDACTED]**, which may include certain events, financial information, financial projections and other information about our Group that do not appear in this document. We have not authorised the disclosure of any other information not contained in this document. We do not accept any responsibility for any such press or media coverage and make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, our Group disclaims responsibility for them. Accordingly, investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this document.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminologies such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are beyond our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. MAN Hoi Yuen (文海源)	House 3 Grandview Villa 8 Yau Lai Road Yau Kom Tau, Tsuen Wan New Territories Hong Kong	Chinese
Ms. NG Yuen Chun (吳婉珍)	House 3 Grandview Villa 8 Yau Lai Road Yau Kom Tau, Tsuen Wan New Territories Hong Kong	Chinese
Mr. HO Chi Hong (何志康)	Flat A, 17/F, Block 2 The Long Beach 8 Hoi Fai Road Tai Kwok Tsui, Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. CHAN Ka Yu (陳家宇)	Flat B, 25/F, Block 13 Laguna City Kwun Tong, Kowloon Hong Kong	Chinese
Mr. LO Ki Chiu (盧其釗)	Flat F, 7/F Tower 10 21 Fo Chun Road, Mayfair By The Sea II Pak Shek Kok, Tai Po New Territories Hong Kong	Chinese
Mr. LEUNG Wai Lim (梁唯廉)	House 75 Boulevard De Fontaine The Beverly Hills Tai Po, New Territories Hong Kong	Chinese

Please refer to the section headed "Directors, senior management and employees" in this document for further details.

PARTIES INVOLVED

Sole Sponsor	**Grande Capital Limited** *A licensed corporation to engage in type 6 (advising on corporate finance) regulated activities under the SFO* Room 1204B, 12/F Tower 2, Lippo Centre 89 Queensway Hong Kong

[REDACTED]

Legal advisers to our Company	*As to Hong Kong law* **Sidley Austin** *Solicitors, Hong Kong* 39/F Two Int'l Finance Centre Central Hong Kong *As to Cayman Islands law* **Conyers Dill & Pearman** *Cayman Islands attorneys-at-law* Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED]	*As to Hong Kong law* **David Fong & Co.** *Solicitors, Hong Kong* Unit A, 12/F China Overseas Building 139 Hennessy Road Wanchai Hong Kong
Auditors and reporting accountants	**HLB Hodgson Impey Cheng Limited** *Certified Public Accountants* 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Industry consultant	**Ipsos Limited** 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Compliance adviser	**Grande Capital Limited** *A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities* Room 1204B, 12/F Tower 2, Lippo Centre 89 Queensway Hong Kong
[REDACTED]	**[REDACTED]**

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 8, 39/F Cable TV Tower No. 9 Hoi Shing Road Tsuen Wan, New Territories Hong Kong
Company website	**www.yield-go.com** *(information on this website does not form part of this document)*
Company secretary	Mr. SIU Wing Kin *Certified Public Accountant* Room 3203, Hiu Lai Court Hiu Wo House Kwun Tong, Kowloon Hong Kong
Authorised representatives	Mr. HO Chi Hong Flat A, 17/F, Block 2 The Long Beach 8 Hoi Fai Road Tai Kwok Tsui, Kowloon Hong Kong Mr. SIU Wing Kin *Certified Public Accountant* Room 3203, Hiu Lai Court Hiu Wo House Kwun Tong, Kowloon Hong Kong
Audit committee	Mr. CHAN Ka Yu *(Chairman)* Mr. LO Ki Chiu Mr. LEUNG Wai Lim
Remuneration committee	Mr. LEUNG Wai Lim *(Chairman)* Mr. CHAN Ka Yu Mr. LO Ki Chiu

Nomination committee	Mr. MAN Hoi Yuen *(Chairman)* Mr. CHAN Ka Yu Mr. LEUNG Wai Lim

[REDACTED]

Principal bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

This and other sections of this document contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *our or their respective directors and officers or any other parties involved in the* **[REDACTED]**. *No representation is given as to the accuracy.*

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos, an independent market research consulting firm, to conduct an analysis of, and to report on fitting-out works industry in Hong Kong. A total fee of HK$478,000 was charged by Ipsos for the preparation of the Ipsos Report. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Ipsos Report. The payment of such amount was not conditional on our Group's successful **[REDACTED]** or on the results of the Ipsos Report. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Ipsos has been engaged in a number of market assessment projects in connection with **[REDACTED]** in Hong Kong. Ipsos is part of a group of companies which employs approximately 16,600 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market sizes and market shares and performs segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

The Ipsos Report includes information on the fitting-out works industry in Hong Kong. The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including fitting-out and building works service providers, architects, quantity surveyors and industry experts and associations in Hong Kong, etc.

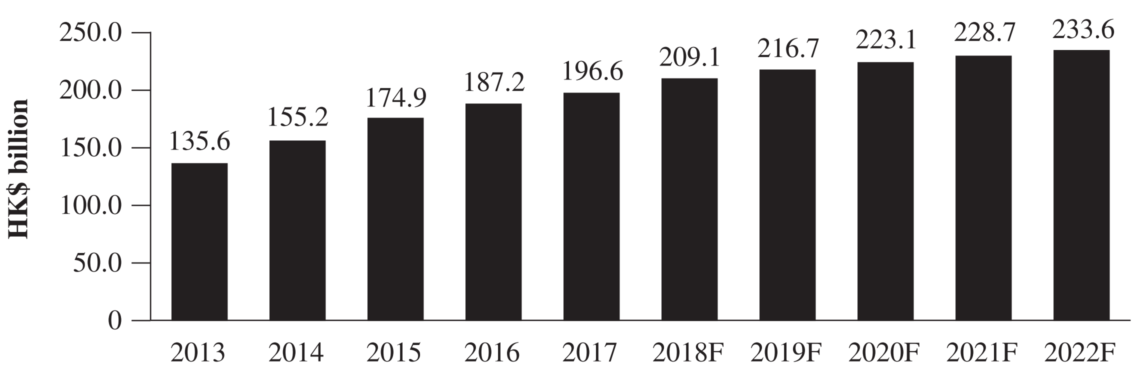
Information gathered by Ipsos has been analysed, assessed and validated using Ipsos in-house analysis models and techniques. According to Ipsos, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Ipsos Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that the global economic growth remains steady across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction industry in Hong Kong during the forecast period.

CONSTRUCTION INDUSTRY OVERVIEW

The construction industry in Hong Kong recorded a stable growth from 2013 to 2017. The total gross output value of construction works increased from approximately HK$135.6 billion in 2013 to approximately HK$196.6 billion in 2017 at a CAGR of approximately 9.7%.

Gross output value of construction works in Hong Kong from 2013 to 2022



Note:

(1) 2015 and 2016 figures were updated based on figures released by Hong Kong Census and Statistics Department in June 2018

(2) The letter "F" denotes as forecasted figures

Source(s): Hong Kong Census and Statistics Department; The Ipsos Report

Construction projects in Hong Kong can be generally categorised into public sector projects and private sector projects. Public sector projects refer to projects of which the main contractors are employed by the Government or other statutory bodies, while private sector projects refer to projects that are not public sector projects. Public sector has contributed to a larger gross output value with an aggregate amount of approximately HK$457.6 billion as compared to the aggregate amount of private sector with a value of approximately HK$392.0 billion from 2013 to 2017.

The construction industry experienced a stable growth in the past few years mainly due to the rising demand for commercial and residential buildings as well as for infrastructure. The public sector was supported by some large public infrastructure projects such as the Public Housing Development Program and Ten Major Infrastructure Projects, which include the South Island Line, Sha Tin to Central Link, Lok Ma Chau Loop, Guangzhou-Shenzhen-Hong Kong

Express Rail Link, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, West Kowloon Cultural District, Kai Tak Development, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas, and Hong Kong-Shenzhen Western Express Line. In private sector, the growth was attributable to the Government's initiative to increase private residential units supply and land supply for commercial and economic activities.

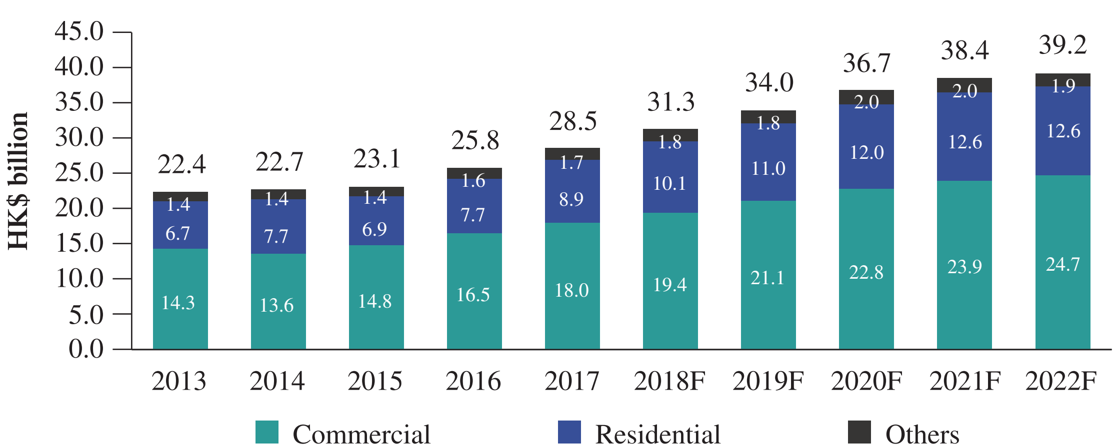
To cater for the continuous demand in residential units and commercial sites, the government has announced in the 2017 Policy Address to further provide approximately 460,000 housing supply for the next decade; which includes approximately 200,000 public rental housing (PRH) units, approximately 80,000 subsidized sale flats and approximately 180,000 private housing units. To address the latter, suitable Government, Institution or Community (GIC) sites will be converted to commercial use and to develop Kowloon East as a secondary core business district. Such plans will further facilitate the construction industry and the gross output value of construction is thus forecasted to grow at a CAGR of about 2.8% from 2018 to 2022.

FITTING-OUT INDUSTRY OVERVIEW

In the Hong Kong construction industry, main contractors are primarily in charge of the entire construction project and typically outsource construction works to subcontractors in accordance to their specialties and knowledge.

Fitting-out industry is one of the specific areas of the Hong Kong construction industry, while the development of fitting-out industry and construction industry are correlated. Fitting-out works are commonly demanded in commercial and residential construction projects. In 2017, the total gross output value of fitting-out industry accounted for approximately 14.6% of the total gross output value of construction works in Hong Kong. From 2013 to 2017, the total gross output value of fitting-out industry grew from approximately HK$22.4 billion to approximately HK$28.5 billion, at a CAGR of approximately 6.2%.

Gross output value of fitting-out industry in Hong Kong from 2013 to 2022



Source(s): Ipsos research and analysis

Residential fitting-out works mainly include fitting-out works which apply to residential buildings and their attached facilities such as clubhouses which are available in private residential units. Commercial fitting-out works include fitting-out works which generally apply to private commercial buildings such as offices, shopping malls and hotels. Other fitting-out works are fitting-out works which neither fall into the category of residential or commercial, which mainly include fitting-out works which apply to industrial buildings, hospital, airport terminal, etc.

The growth of fitting-out industry from 2013 to 2017 was mainly supported by constant demand of fitting-out work due to continuing new building construction completion and the launch of Mandatory Building Inspection Scheme (MBIS) and the Mandatory Window Inspection Scheme (MWIS) by the Buildings Department in 2012, being schemes that require inspection, repair and maintenance to be performed on old buildings which are over 30 years old and 10 years old respectively. In addition, Rating and Valuation Department recorded a total commercial completion area of 161,100 m^2 in 2013 to 400,200 m^2 in 2017 at a CAGR of approximately 25.5%. Other noteworthy landmark property development projects that contributed to the gross output value of the fitting-out industry over the past years mainly comes from the private sector; including, YOHO Mall, a North-West New Territories flagship shopping mall, that was completed in 2015, and the redevelopment of Shanghai Commercial Bank Tower that was completed in 2016, all of which that supported growth in commercial fitting-out value.

Moving forward, the total gross output value of fitting-out industry is forecasted to increase from approximately HK$31.3 billion to approximately HK$39.2 billion at a CAGR of about 5.8% from 2018 to 2022 due to the expected growth in both residential and commercial fitting-out industry.

The gross output value generated from residential fitting-out works is forecasted to increase from approximately HK$10.1 billion in 2018 to approximately HK$12.6 billion in 2022 at a CAGR of about 5.7% where demand is mainly necessitated from the private sector. The residential property market in Hong Kong is expected to remain resilient in the coming years due to shortage of residential units. According to Rating and Valuation Department, 19,526 private residential units are forecasted to be completed in 2018. More private residential projects to look forward to from 2019 to 2022 include Astro Far East Estate at Cheung Sha Wan, Kwun Tung Town Centre, and Lohas Park Phase V and VI at Tseung Kwan O which is expected to contribute to the growth of residential fitting-out industry.

The gross output value generated from commercial fitting-out works is forecasted to increase from approximately HK$19.4 billion in 2018 to approximately HK$24.7 billion in 2022 at a CAGR of about 6.2% where demand is mainly necessitated from the private sector. There has recently been a growing establishment of new and secondary business districts outside of the Central area due to the Government's initiative to energise Kowloon East in accordance to the 2011–2012 Policy Address. It is projected that this will increase the number of new offices in Kowloon East; hence increasing the demand for fitting-out works. Also, there are several luxury hotel projects that are expected to be completed in the coming years, such as The Hong Kong Ocean Park Marriott Hotel and the Fullerton Hotel, which are expected to be opened in 2018 and 2020 respectively, which are likely to contribute to the output value of fitting-out industry.

According to the Ipsos Report, fitting-out works usually involve wall, ceiling finishes, partition, furniture finishing, and common installation services like doors, and flooring. In addition, some fitting-out contractors may also provide related services such as renovation, interior design and repair, maintenance alteration and addition (RMAA) work. While often property developers and property owners will directly engage fitting-out contractors for fitting-out works, main contractors that win tenders from customers may also engage fitting-out contractors to subcontract partial or majority of the undertaken fitting-out works according to its own capacity, the timeline and complexity of the projects.

INDUSTRY DRIVERS

Since the development of fitting-out industry is correlated with the construction industry, the fitting-out industry in Hong Kong is expected to benefit from the following industry drivers:

1. Redeveloping old and dilapidated buildings

The Government is taking on a basket of strategies to refurbish and redevelop old and dilapidated buildings for a better living environment. As addressed in the 2017 Policy Address, the Government will launch "Operation Building Bright 2.0", where HK$3.0 billion funds will be used to subsidize owner-occupiers for undertaking rehabilitation works on aged buildings in need of repair. Based on the "Hong Kong 2030+" report, it is expected that the number of residential and composite buildings aged 30 or more will reach approximately 40,000 by 2046. As of November 2017, there were approximately 6,863 private buildings aged over 50 in Hong Kong. Many of these neglect and decay buildings that need redevelopment will drive the demand for fitting-out works in the future.

2. Increase in demand for micro private residential units

The demand and supply for micro private residential units have been increasing in recent years. Micro private residential units have been growing in popularity in Hong Kong due to its slightly more affordable price in a smaller size as compared to the high end large property units. Nevertheless, these types of micro private flats typically have small space area, i.e. approximately 200 square feet per unit, such as T Plus in Tuen Mun. This trend creates more residential units under the same developed gross floor area, which leads to an increase in the demand of fitting-out works. Also, due to the lack in space, property developers will engage fitting-out services to maximise space utilisation for each unit by applying more complex fitting-out works. The demand on higher value-added fitting-out works is likely to increase the value generated by the fitting-out industry, especially in the private residential sector.

3. New private development projects initiated by property developers

Moving forward, both new private residential and commercial development are expected to remain as the main contributor towards the fitting-out industry in Hong Kong. While the demand for micro private residential units is on the rise, demand for luxurious residences observed a similar trend as well. With the rising annual disposable income, home owners tend to seek higher living standards which creates demand for luxurious private residential units with grandeur clubhouses. Other than private residential development projects, demand for private commercial premises fitting-out also remains resilient with the growing retail premises amid retail sales recovery, construction of New Development Areas (NDA), and increasing amount of offices. The prosperous development in the private construction industry is expected to bring more business opportunities to the fitting-out works industry.

COMPETITIVE LANDSCAPE AND ENTRY BARRIERS

The five largest players in the Hong Kong fitting-out industry in 2017

According to the Ipsos Report, the top five fitting-out contractors (in terms of market share in the fitting-out industry in Hong Kong in 2017) and their respective backgrounds are as follows:

Ranking	Contractor	Key type of works performed	Approximate market share
1	A contractor based in Hong Kong, which is listed on the Main Board of the Stock Exchange	Fitting-out works, alteration and addition; manufacturing, sourcing and distribution of interior materials	5.3%
2	A contractor based in Hong Kong, which is listed on the Main Board of the Stock Exchange	Fitting-out works, including design and building; alteration and addition	3.4%
3	A contractor based in Hong Kong, which is a subsidiary of a company listed on the Main Board of the Stock Exchange	Fitting-out works, including design and building	2.9%
4	A contractor based in Hong Kong	Fitting-out works, interior design and building, alteration and addition, interior contracting	2.2%
5	A contractor based in Hong Kong	Fitting-out works, including initial feasibility studies, cost estimation, design to management, construction and maintenance	1.8%
	Total		**15.6%**

Factors influencing competition among fitting-out contractors

Business relationships, industry reputation and experience in fitting-out project management are major factors of competition among contractors in the fitting-out industry in Hong Kong.

Fitting-out contractors with a proven track record and positive reputation in the industry are more competitive based on their proven reliability and experience in completing fitting-out works. Main contractors usually prefer to work with subcontractors whom they have long standing relationships with and have proven high-quality work to be delivered on time. Established long-term business relationships with construction materials suppliers and main contractors provide subcontractors with better flexibility in negotiating prices, allocating resources and executing projects compared with their competitors.

In addition, a fitting-out contractor's experience in fitting-out project management will determine its efficiency and effectiveness in sourcing and allocating resources including labour and construction materials to complete works on time and within a competitive budget. Technical expertise and experience in fitting-out project management are also important to meet project timeline, quality and budget. With an experienced project management team having good technical understanding of fitting-out works, a contractor is able to address different issues that may arise during project execution, and foresee potential problems during the project.

Our Group's market share in the fitting-out industry

The total revenue of the fitting-out industry in Hong Kong in 2017 was approximately HK$28.5 billion according to the Ipsos Report. The total revenue of our Group for FY2016/17 was HK$346.4 million. Based on these figures, it is estimated that our Group's market share in the fitting-out industry in Hong Kong is approximately 1.2%.

Entry barriers of the fitting-out industry in Hong Kong

1. High and stable capital requirement

Construction industry is a high operating expense industry in nature including fitting-out services. A large amount of capital is needed for project initiation and operating management such as surety bond payment, engaging subcontractors, recruitment of skilled labours, experience management and raw materials purchase. Particularly, a large amount of upfront cost payment is often involved when undertaking fitting-out projects, which require substantial working capital and healthy cash flow. Hence, new entrants who do not have an adequate amount of capital may face consequences of delayed project executions and ultimately, losing their reputations.

2. An experienced team of industry expertise

An experienced team of industry expertise could provide advices and customise solutions on fitting-out projects that best fulfil the needs of the clients. Due to the competitive environment in the fitting-out industry, it is challenging for companies to recruit an experienced team. Therefore, having and maintaining an experienced team will be a significant entry barrier for new entrants in the fitting-out industry to handle projects effectively.

3. Proven track records

In general, customers award tenders based on the contractors' track record and experience to assess their abilities in undertaking projects. Customers of fitting-out works will evaluate contractor's ability to meet the technical, safety, time and budget requirements of a project. Thus, new entrants with little fitting-out work track record would undergo a lack of proven project management and work experience to support their capabilities during tender.

4. Relationship with property developers and main contractors

Fitting-out works of private large property projects are usually awarded through an invitation to tender process. Customers, such as private property developers or main contractors of the construction projects, may send tender invitation to those contractors with good working relationship and track record in the past. New entrants of the fitting-out industry may find it difficult to blend into the market and obtain tender invitations as they have yet to build up cooperative relationship and network with main contractors and private property developers.

Potential challenges

1. Labour shortage

The ageing workforce and the decreasing number of youngsters joining the construction and fitting-out industry have led to the problem of labour shortage. According to the Construction Industry Council (CIC), about 41.9% of the 473,110 registered workers were aged over 50 as of September 2018. Separately, shortage of both general welders and plasterers is expected from 2018 to 2022 with only around 500-1500 labour supply in the fitting-out market as reported in the Report on Manpower Research for the Construction Industry in Hong Kong by CIC December 2017 issue.

2. Increase in operating cost

The issue of high operating cost has long ensued the overall construction industry. The average wages of construction workers has been driven up by the need to retain skilled labour and attract young entrant workers, resulting in an overall higher operating cost in the construction industry. The average daily wage of fitting-out workers has increased from approximately HK$939.9 in 2013 to approximately HK$1,285.0 in 2017, at a CAGR of 8.1%. Please refer to the paragraph headed "Price trend of major fitting-out cost components" in this section for further information.

3. Increasing competition

Competition has intensified in Hong Kong's fitting-out industry. Specifically, some contractors are now raising capital by way of listing in the Stock Exchange to expand the scope of their services and business volume. Such business expansion plans of fitting-out contractors in Hong Kong has led to an increase in competition for available fitting-out projects.

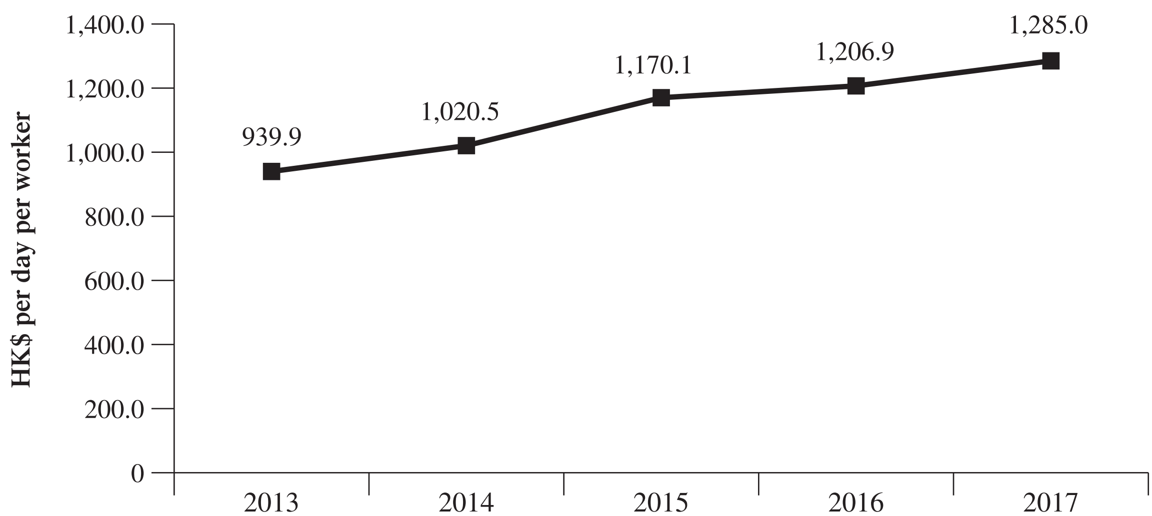
PRICE TREND OF MAJOR FITTING-OUT COST COMPONENTS

The major fitting-out cost components of our Group's operation include, among others, direct labour cost, and main materials such as glass and timber products.

Average wages of fitting-out workers in Hong Kong

The average daily fitting out worker wage is computed using the average wages of bricklayers, general welders, joiners, painters and decorators, plasterers and general workers. The average wages of fitting out workers has increased from approximately HK$939.9 in 2013 to approximately HK$1,285.0 in 2017, at a CAGR of approximately 8.1%.

Average wages of fitting-out workers in Hong Kong from 2013 to 2017



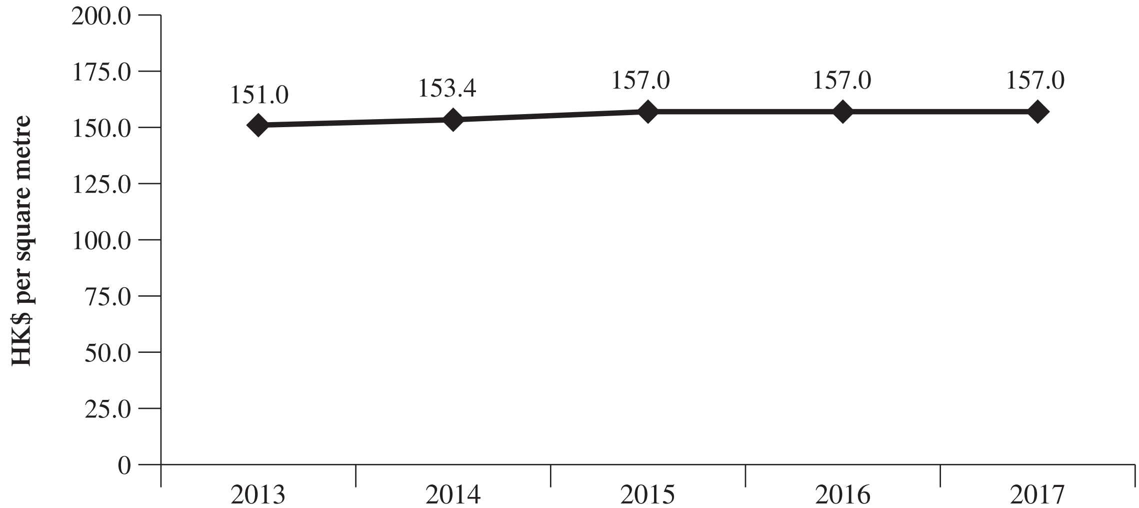
Source(s): Hong Kong Census and Statistics Department; The Ipsos Report

According to the Ipsos Report, the increasing trend in average wages for fitting-out workers was caused by a lack of new entrant workers and an ageing labour force. The Government is encouraging youngsters to enter the industry by providing funds for training schemes and the increase in wages aims to attract more skilled and young labour to join the workforce. However, it only had a limited effect due to a lack of career prospect. The problem of labour shortage in the fitting-out industry is exacerbated by an aging workforce, as old and skilled construction workers approach retirement and leave the industry. For these reasons, it is expected that the average daily wage of fitting-out worker in Hong Kong will continue to rise in the coming years.

Average wholesale price of glass in Hong Kong

From 2013–2017, the average wholesale prices for glass exhibited a modest growth with a recorded CAGR of approximately 1.0%, an increase from approximately HK$151.0 to approximately HK$157.0 per square metre.

Average wholesale price of glass in Hong Kong from 2013 to 2017



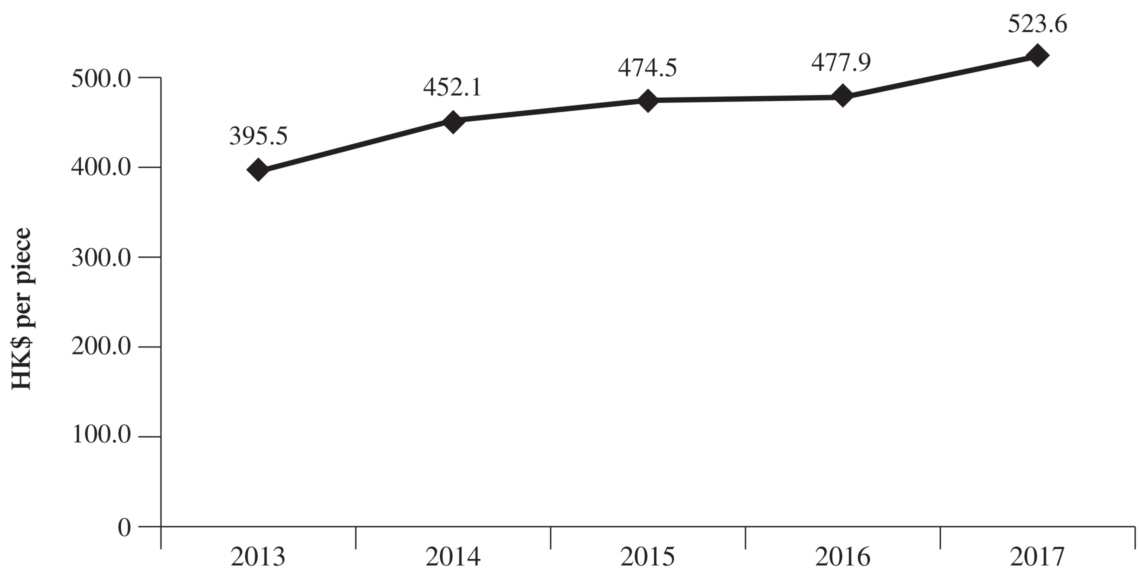
Source(s): Hong Kong Census and Statistics Department; The Ipsos Report

The modest price trend could be attributed to the tight competition among glass suppliers. A slight increase in price will drive customers to seek for other supplier or product substitution considering glass is a product with minimal product variance and easily substitute product. Hence, the average wholesale price of glass has remained relatively stable over the years.

Average import prices of timber products in Hong Kong

The major fitting-out timber products of our Group's operation include, among others, wooden furniture, timber door and timber flooring.

Average import price of wooden furniture in Hong Kong from 2013 to 2017

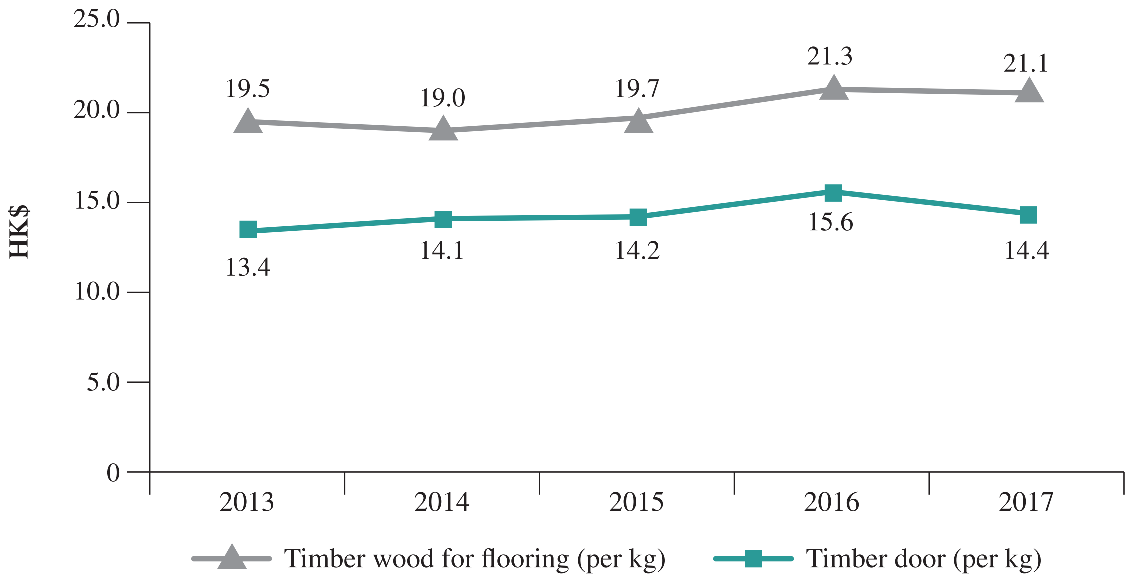


Note(s): Historical price trend of wooden furniture is weighted average import price based on import quantity of fitting-out wooden furniture which include; (i) wooden furniture used in the bedroom, such as wardrobes and beds (SITC code: 82155); (ii) other wooden furniture, such as desk tables and bookcases (SITC code: 82159); and (iii) wooden furniture for kitchen use (SITC code: 82153)

Source(s): Hong Kong Census and Statistics Department; The Ipsos Report

The average import price for per piece of wooden furniture in Hong Kong increased from approximately HK$395.5 to approximately HK$523.6 per piece from 2013 to 2017, at a CAGR of approximately 7.3%, which was mainly attributable to the increased demand for wooden furniture using solid wood due to users' rise of taste and living standard. As wooden furniture that use solid wood is generally more expensive, the increasing trend of using solid wood furniture has driven up the average import price of wooden furniture. Also, solid wood used for manufacturing wooden furniture, such as the Mongolian Oak and Chinese Ash, were limited in supply and without close substitutes, which has further increase the average price of solid wood furniture when facing an increasing demand.

Average import prices of timber wood for flooring and timber doors in Hong Kong from 2013 to 2017



Note(s): Historical price trend of timber wood for flooring is weighted average import price based on import quantity of (i) wood of non-coniferous species (including strips and friezes of parquet flooring, not assembled) (SITC code: 24850); and (ii) assembled flooring panels (SITC code: 63534)

Source(s): Hong Kong Census and Statistics Department; The Ipsos Report

The average import price of timber flooring changed from approximately HK$19.5 per kg to approximately HK$21.1 per kg, at a CAGR of approximately 2.0% from 2013 to 2017; while the average import price of timber door changed from approximately HK$13.4 per kg to approximately HK$14.4 per kg, at a CAGR of approximately 1.8% from 2013 to 2017. The price of both timber flooring and timber door was in a steady trend, while the little fluctuation in price trend for both timber door and timber flooring was mainly due to the varied demand from Hong Kong and the increasing supply of cheaper alternative imported from the PRC.

A. LAWS AND REGULATIONS IN RELATION TO THE BUILDING WORKS

Under the Buildings Ordinance, there are three contractors' registers being kept by the Building Authority. They are: (i) the general building contractors' register; (ii) the specialist contractors' register and; (iii) the minor works contractors' register.

Under section 14 of the Buildings Ordinance, approval and consent is required from the Building Authority for the commencement of building works.

Under section 9(1) of the Buildings Ordinance, a person is required to appoint a registered general building contractor to carry out general building works and street works which do not include any specialised works designated for registered specialist contractors and minor works. Under section 9(2) of the Buildings Ordinance, a person is required to appoint a registered specialist contractor to carry out specialised works (including sub-registers of demolition works, foundation works, site formation works, ventilation works and ground investigation works) in their corresponding categories which they have been registered.

Building works have a wide definition. Under section 41(3) of the Buildings Ordinance, works in a building are exempted if they do not involve the structure of a building. So there will be no need to engage a registered general/specialist contractor for such building works.

B. LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION LABOUR, HEALTH AND SAFETY

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in an industrial undertaking (which is defined to include construction work). The Factories and Industrial Undertakings Ordinance prescribes a duty on a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

(a) providing and maintaining plant and work systems that do not endanger safety or health;

(b) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

(c) providing all necessary information, instructions, training and supervision for ensuring safety and health;

(d) providing and maintaining safe access to and egress from the workplaces; and

(e) providing and maintaining a safe and healthy working environment.

It is a criminal offence for a proprietor who contravenes any of these duties and the maximum penalty is a fine of HK$500,000. Further for contraventions of these requirements by the proprietor wilfully and without reasonable excuse the maximum penalty is a fine of HK$500,000 and to imprisonment for 6 months.

Subsidiary regulations of the Factories and Industrial Undertakings Ordinance, include, among others, the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear Regulations (Chapter 59J of the Laws of Hong Kong), Factories and Industrial Undertakings (Protection of Eyes) Regulations (Chapter 59S of the Laws of Hong Kong).

The Construction Sites (Safety) Regulations provide for (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK$200,000 and imprisonment up to 12 months. The Construction Sites (Safety) Regulation is applicable to all construction work, all construction sites and all machine, plant and materials which construction work is carried on.

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

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

Under the Occupational Safety and Health Ordinance, employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

(a) provision and maintenance of plant and systems of work that are safe and without risks to health;

(b) making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

(c) as regards any workplace under the employer's control:

(i) maintenance of the workplace in a condition that is safe and without risks to health; and

(ii) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;

(d) providing all necessary information, instructions, training and supervision for ensuring safety and health;

(e) provision and maintenance of a working environment that is safe and without risks to health; and

(f) provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks.

Non-compliance with any of the above provisions is a criminal offence and the maximum penalty of the employer is a maximum fine of HK$200,000. For intentional, knowing or reckless contraventions, the maximum penalty is a fine of HK$200,000 and to imprisonment for 6 months.

The Commission for Labour has power to issue an improvement notice against non-compliance of this Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence and the maximum penalty is a fine of HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.

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

There is a no-fault and non-contributory employee compensation system for work injuries established under the Employees' Compensation Ordinance. Further this Ordinance also set out the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

As prescribed under section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the employer did not know the happening of such accident or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident is first brought to the notice of the employer or otherwise came to his knowledge.

According to Section 24 of the Employees' Compensation Ordinance, the main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by the subcontractor who would have been liable to pay compensation to the injured employee independently of this section. The employees in question are required to serve a notice in writing on the main contractor before making any claim or application against such main contractor.

All employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees) in accordance with section 40 of the Employees' Compensation Ordinance. For compliance with such obligation, under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as in compliance with section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a maximum fine at level 6 (currently at HK$100,000) and imprisonment for 2 years.

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

The Employment Ordinance sets out and regulates the rights and duties between the employer and employee. Under the Employment Ordinance, the employees are entitled to some statutory rights such as rest days, sick leave, etc.

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

Employers are required to enrol their regular employees (except for certain exempt persons) aged at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("**MPF**") scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK$25,000 and HK$7,100 per month, respectively before 1 June 2014 or HK$30,000 and

HK$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK$1,250 before 1 June 2014 or HK$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK$25,000 per month before 1 June 2014 or HK$30,000 on or after 1 June 2014).

Industry Scheme

Industry Schemes were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are "casual employees" whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories:

(1) foundation and associated works;

(2) civil engineering and associated works;

(3) demolition and structural alteration works;

(4) refurbishment and maintenance works;

(5) general building construction works;

(6) fire services, mechanical, electrical and associated works;

(7) gas, plumbing, drainage and associated works; and

(8) interior fitting-out works.

It is not requirement under the Mandatory Provident Fund Schemes Ordinance that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

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

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

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

Under section 38A of the Immigration Ordinance, there is a duty on a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) to take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

The Construction Workers Registration Ordinance provides, among others, for registration and regulation of construction workers. The principal objective of the Construction Workers Registration Ordinance is to set up a system of registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Under section 3(1) and section 5 of the Construction Workers Registration Ordinance, unless the person is a registered construction worker of the Register of Construction Workers, that person shall not personally carry on a construction site construction work. In the premises, the principal contractors, subcontractors, employers, and/or controllers of construction sites should only employ registered construction workers to personally carry out construction works on construction sites.

Under section 58 of the Construction Workers Registration Ordinance, a main contractor for a construction site is required to provide device(s) that enables the data stored in a registration card in electronic form to be retrieved, and the main contractor may apply for exemption of the above requirement from the Construction Industry Council. Section 58 of the Construction Workers Registration Ordinance further requires a controller of a construction site to:

(a) establish and maintain a daily record in the specified form that contains information of the registered construction workers who are employed by the controller or a subcontractor of the controller and personally carrying out on the site construction work; and

(b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record (i) for the period of seven days after any construction work begins on the site; and (ii) for each successive period of seven days, within two Business Days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes section 58 of the Construction Workers Registration Ordinance commits an offence and is liable on conviction to a fine at level 3, which is currently fixed at HK$10,000.

Under the Construction Workers Registration Ordinance, "construction work" means, *inter alia*, any building operation involved in preparing for any operation such as laying of foundations, excavation of earth and rock before laying of foundations, site clearance, site investigation, site restoration, earthmoving, tunnelling, boring, scaffolding and provision of access. "Construction site" means (subject to certain exceptions) a place where construction works is, or is to be, carried out.

C. LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION

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

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

The Air Pollution Control Ordinance requires that the owner of any premises, which includes a contractor who has possession of a site for the purpose of construction work, used for conduct of any process specified in the Air Pollution Control Ordinance shall use best practicable means for preventing the emission of noxious or offensive emissions from such premises.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong), the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong) and the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such "notifiable work" include site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100m of any exit to the open air, construction of the foundation of a building, construction of the superstructure of building or road construction work.

Under section 4(1) of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for the construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation. Any person who contravenes with section 4(1) of the Air Pollution Control (Construction Dust) Regulation commits an offence and is liable to a fine at level 5 (which is currently fixed at HK$50,000) on conviction of a first offence and to a fine at level 6 (which is currently fixed at HK$100,000) and to imprisonment for 3 months on conviction of a second or subsequent offence, and in addition, if the offence is a continuing offence, to a fine of HK$10,000 for each day during the whole or any part of which the offence continues.

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

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

Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licencing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage to a communal foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licenced under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000 and (c) in addition, if the offence is a continuing offence, a fine of HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

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

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

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labelled and stored properly before disposal. Only a licenced waste collector can transport the waste to a licenced chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK$500,000 and to imprisonment for 2 years for a second or subsequent offence.

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

The Public Health and Municipal Services Ordinance regulates, amongst other things, activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health, including construction works.

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Any person by reason of whose act, default or sufferance the nuisance arose or continues, or, if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where the premises is found to be in such a state so as to be a nuisance and injurious to health, or where the emission of dust from any building under construction or demolition is found to be in such a manner so as to be a nuisance, to a fine of up to HK$10,000 and a daily fine of HK$200.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. The maximum penalty is HK$10,000 upon conviction and a daily fine of HK$200.

Further, pursuant to section 27 of the Public Health and Municipal Services Ordinance, it provides that if any larvae or pupae of mosquitoes are found on any premises consisting of a building site of which there is the appointed contractor, the appointed contractor of the site shall be guilty of an offence. The appointed contractor in relation to the site means the person who is the registered contractor appointed in respect of the site in accordance with the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or where the site is owned by the Government, the person who has been appointed the contractor in respect of the site, if he has entered on the site at the relevant time. Pursuant to section 150 and the Ninth Schedule of the Public Health and Municipal Services Ordinance, any person who is guilty of an offence shall be liable on summary conviction to the level 4 penalty (currently fixed at HK$25,000) and where the offence is a continuing offence, the person shall be liable, in addition, to a fine of HK$450 for each day during which it is proved to the satisfaction of the court that the offence has continued.

D. LAWS AND REGULATIONS IN RELATION TO LEVY

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

According to section 32 of the Construction Industry Council Ordinance, construction industry levy ("**CIL**") is payable by registered contractors appointed under section 9 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or any persons who carry out construction operations in Hong Kong to the Construction Industry Council. "Construction operation" is exhaustively defined under Schedule 1 of the Construction Industry Council Ordinance, which include building works and street works as defined in section 2(1) of the Buildings Ordinance.

The CIL chargeable is 0.5% of the total value of the construction operation (as defined under section 53 of the Construction Industry Council Ordinance). Pursuant to section 32 and Schedule 5 of the Construction Industry Council Ordinance, no CIL is chargeable for any construction operation not exceeding HK$1,000,000.

According to section 34 of the Construction Industry Council Ordinance, the contractor and authorised person each are required to inform the Construction Industry

Council in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. It is an offence if a person without reasonable excuse failed to give such notice and liable to a fine at level 1, which is currently fixed at HK$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceeds HK$1,000,000.

Pursuant to section 35 of the Construction Industry Council Ordinance, a contractor is required to give a notice of payment in a specified form (Form 2) to the Construction Industry Council within 14 days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the notice of payment and liable to a fine at level 3, which is currently fixed at HK$10,000.

Pursuant to section 36 of the Construction Industry Council Ordinance, a contractor is required to give a notice of completion in a specified form (Form 3) to the Construction Industry Council within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the notice of completion and liable to a fine at level 3, which is currently fixed at HK$10,000.

The Construction Industry Council shall assess the CIL payable upon receiving the notice of payment or notice of completion and give a notice of assessment in writing specifying the amount of CIL. The Construction Industry Council can also make the assessment notwithstanding no notice of payment or notice of completion has been given. According to section 41 of Construction Industry Council Ordinance, if a contractor fails to give notice of payment or notice of completion without a reasonable excuse, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a notice of surcharge in writing shall be given by the Construction Industry Council.

According to section 46 of the Construction Industry Council Ordinance, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the notice of assessment or notice of surcharge is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount shall be imposed.

CIL, surcharge, penalty or further penalty is recoverable by the Construction Industry Council as civil debt under the jurisdiction of the District Court. The time limits for the Construction Industry Council to make the assessment or imposing the surcharge under sections 42 to 45 of the Construction Industry Council Ordinance are, whichever is the last of the following periods:

(a) 2 years after the completion of all construction operation under the contract, or without term contract, 2 years after the completion of the construction operations;

(b) 2 years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and

(c) one year after evidence, sufficient in the opinion of the Construction Industry Council to justify the making of the assessment, comes to its knowledge.

E. PROPOSED LEGISLATION ON SECURITY OF PAYMENT FOR THE CONSTRUCTION INDUSTRY

Security of Payment Legislation for the Construction Industry (the "SOPL")

The Government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

Based on the consultation document of the SOPL, when it comes into force, the SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts for a "new building" (as defined in the Buildings Ordinance) which has an original value in excess of HK$5 million (or HK$0.5 million for professional services and supply only contracts) will be caught in the private sector contracts. However, where the SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

Based on the consultation document of the SOPL, the SOPL will include the following key obligations, rights and limits:

(a) The SOPL will prohibit "pay when paid" and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.

(b) The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.

(c) The SOPL will provide a party who is entitled to a claim under a contract with a right to claim the payment by means of a statutory payment claim, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication which is a process for decision in 55 working days from the date of appointment of an adjudicator.

(d) The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate of progress of work until payment is made.

Possible impact on our Group

During the Track Record Period, all of our Group's revenue was derived from private sector projects. When the SOPL comes into force, it will apply to our private sector projects for new buildings which has an original value in excess of HK$5 million and all related subcontracts in the contractual chain. For FY2017/18, our trade payables turnover days was approximately 37.6 days. Therefore, our Directors are of the view that the implementation of the SOPL will not have any significant impact on our business or cash flow management. Our Director will ensure that terms of our contracts and payment periods with our subcontractors comply with the legislation in this regard when the SOPL comes into force.

F. SUBCONTRACTOR REGISTRATION SCHEME

Subcontractors undertaking building works in Hong Kong may make an application for registration under the Subcontractor Registration Scheme managed by the Construction Industry Council which is a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades which further branch out into around 94 specialties.

The followings are the entry requirements for applications for registration under the Primary Register of the Subcontractor Registration Scheme:

(a) completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;

(b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;

(c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Subcontractors (or equivalent) courses conducted by the Construction Industry Council; or

(d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee which oversees the Subcontractor Registration Scheme (the "**Management Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the "**Codes of Conduct**"). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee. The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

(a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;

(b) failure to give timely notification of changes to the registration particulars;

(c) serious violations of the registration rules and procedures;

(d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);

(e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;

(f) wilful misconducts that may bring the Subcontractor Registration Scheme into serious disrepute;

(g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;

(h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:

    (i) loss of life; or

    (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

(i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;

(j) convictions for employment of illegal worker under the Immigration Ordinance; or

(k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

Regulatory actions includes:

A. written strong direction and/or warning be given to a registered subcontractor;

B. a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;

C. a registered subcontractor be suspended from registration for a specified duration; or

D. the registration of a registered subcontractor be revoked.

OVERVIEW

We are a contractor of fitting-out services in Hong Kong. Our history can be traced back to the incorporation of our major operating subsidiary, Hoi Sing Decoration, in 1995. Mr. Man, our executive Director and chairman of our Board, together with Mrs. Man, our executive Director and the spouse of Mr. Man, established Hoi Sing Decoration in 1995. Subsequently, Mr. Ho, our executive Director and chief executive officer, joined our Group in May 2001. For the background and relevant industry experience of Mr. Man, Mrs. Man and Mr. Ho, please refer to the section headed "Directors, senior management and employees" in this document.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 May 2018 in anticipation of the **[REDACTED]**. The operating subsidiaries of our Group comprise Hoi Sing Decoration, Hoi Sing Construction, Milieu and Chun Shing Development. Details of these subsidiaries and the corporate structure of our Group are set out in the paragraph headed "Our corporate development" below in this section. Prior to the **[REDACTED]**, our Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of our Company was owned by Hoi Lang, a company incorporated in the BVI which is owned by Mr. Man, Mrs. Man and Mr. Ho as to 50%, 30% and 20%, respectively. Immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, Hoi Lang will own **[REDACTED]**% of the entire issued share capital of our Company (without taking into account of any Share which will be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme).

KEY BUSINESS MILESTONES

Since establishment, we, among other things, participated in the following key property development projects in Hong Kong as one of the fitting-out contractors:

2006 – a residential development project on Po Lun Street, Lai Chi Kok.

2008 – a commercial development project for an office building on Wang Chiu Road, Kowloon Bay.

– a commercial development project for an office building on Hing Fong Road, Kwai Fong.

2009 – a residential development project on Yuen Lung Street, Yuen Long.

2011 – a residential development project on Hoi Fai Road, Tai Kok Tsui.

– a private hospital project on Happy Valley for one of the leading private hospitals in Hong Kong.

2012 – a residential development project on Heung Sze Wui Road, Tuen Mun.

– a residential development project on Ying Ho Road, Yuen Long.

2013 – a residential development project on Austin Road West, West Kowloon.

2014 – a residential development project on Clear Water Bay Road, Clear Water Bay.

2015 – a residential development project on Sham Mong Road, Tai Kok Tsui.

2016 – a residential development project on Kai Yuen Street, North Point.

2017 – a residential development project on Yiu Sha Road, Ma On Shan.

OUR CORPORATE DEVELOPMENT

The following sets forth the corporate history of each of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 May 2018. On 9 May 2018, the initial subscribing shareholder transferred one Share to Hoi Lang. A further allotment and issuance of 99 Shares were made on 9 May 2018 to Hoi Lang. On 18 September 2018, as part of the Reorganisation, an allotment and issuance of 100 Shares were made to Hoi Lang. After the aforesaid and allotments of Shares, our Company was wholly-owned by Hoi Lang. As a result of the Reorganisation, our Company became the holding company of our Group, directly holding the entire issued share capital of Link Shing. The principal business of our Company is investment holding.

Our subsidiaries

Hoi Sing Decoration

Hoi Sing Decoration was incorporated in Hong Kong as a limited lability company on 21 September 1995. Upon incorporation, one subscriber share of Hoi Sing Decoration of HK$1 each was allotted and issued at par value, to each of Mr. Man and Mrs. Man, who were the initial subscribers of such shares. Subsequently, 69,999 and 29,999 new shares were allotted and issued on 26 September 1995 to Mr. Man and Mrs. Man, respectively, following which Mr. Man and Mrs. Man held 70,000 and 30,000 shares of Hoi Sing Decoration, respectively. On 28 August 2014, Mr. Man transferred 20,000 shares of Hoi Sing Decoration to Mr. Ho at a nominal consideration of HK$20,000. The aforesaid transfer was properly and legally completed and settled. Immediately before the Reorganisation, Hoi Sing Decoration was owned by Mr. Man, Mrs. Man and Mr. Ho as to 50%, 30% and 20%, respectively. As a result of the Reorganisation, Hoi Sing Decoration became an indirect wholly-owned subsidiary of our Company. The principal business of Hoi Sing Decoration is the provision of fitting-out services.

Hoi Sing Construction

Hoi Sing Construction was incorporated in Hong Kong with limited liability on 21 February 2001. On 21 February 2001, one share of Hoi Sing Construction of HK$1 each was allotted and issued to each of Mr. Man and Mrs. Man, respectively. Immediately before the Reorganisation, Hoi Sing Construction was owned by Mr. Man and Mrs. Man as to 50% and 50%, respectively. As a result of the Reorganisation, Hoi Sing Construction became an indirect wholly-owned subsidiary of our Company. The principal business of Hoi Sing Construction is the provision of fitting-out services.

Milieu

Milieu was incorporated in Hong Kong with limited liability on 16 December 2010. On 16 December 2010, 70,000 and 30,000 shares of Milieu were allotted and issued to Mr. Man and Mrs. Man, respectively. Since the time of its establishment to immediately before the Reorganisation, Milieu had been owned by Mr. Man and Mrs. Man as to 70% and 30%, respectively. As a result of the Reorganisation, Milieu became an indirect wholly-owned subsidiary of our Company. The principal business of Milieu is the provision of fitting-out services and supply of fitting-out materials.

Chun Shing Development

Chun Shing Development was incorporated in Hong Kong with limited liability on 29 January 2015. On 29 January 2015, one share of Chun Shing Development was allotted and issued to Mr. Man. Since the time of its establishment to immediately before the Reorganisation, Chun Shing Development had been wholly-owned by Mr. Man. As a result of the Reorganisation, Chun Shing Development became an indirect wholly-owned subsidiary of our Company. The principal business of Chun Shing Development is the provision of fitting-out services and supply of fitting-out materials.

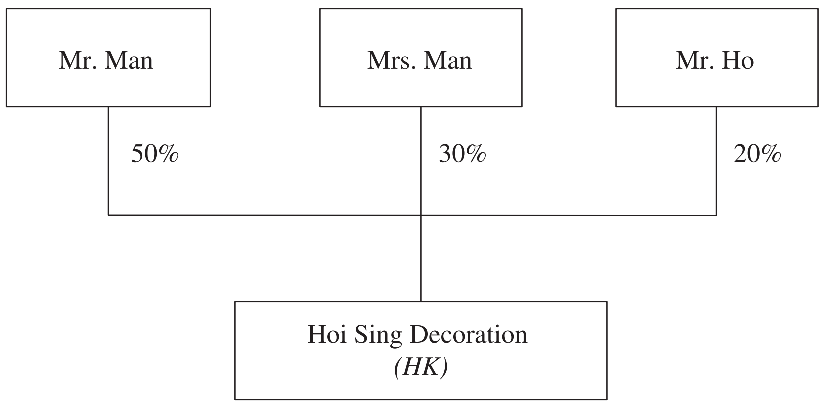
Link Shing

Link Shing is an investment holding company for the purpose of holding interest in our subsidiaries. It was incorporated in the BVI with limited liability on 11 May 2018. Upon incorporation, 100 shares were allotted and issued, credited as fully paid, to our Company at par. Link Shing became a direct wholly-owned subsidiary of our Company. As a result of the Reorganisation, Link Shing became the intermediate holding company of our subsidiaries directly holding the entire issued share capital of Hoi Sing Decoration, Hoi Sing Construction, Milieu and Chun Shing Development. Please refer to the paragraph headed "Reorganisation" in this section for the summary of the major Reorganisation steps.

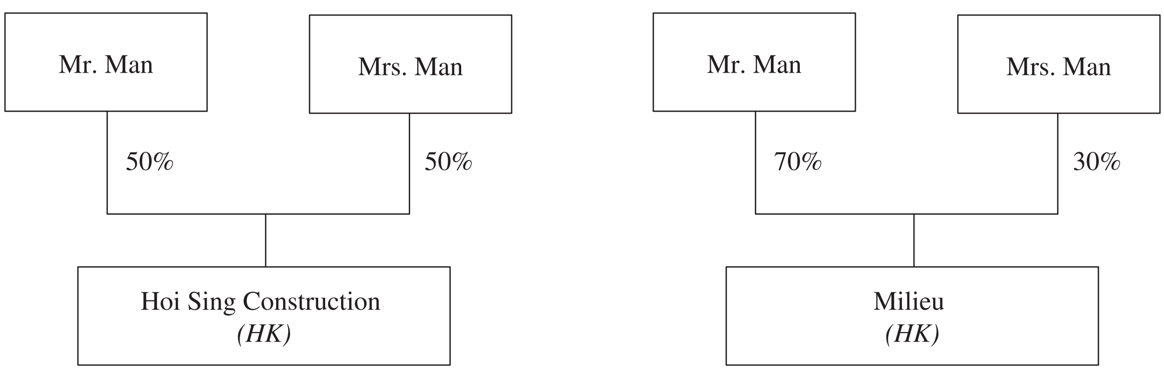
REORGANISATION

The following diagrams show the shareholding and corporate structure of our Group immediately before the Reorganisation:

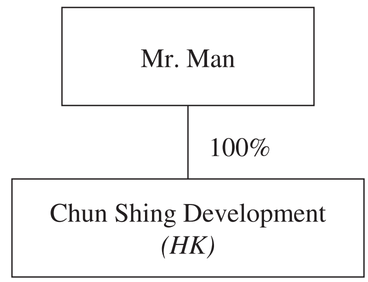
A. Hoi Sing Decoration



B. Hoi Sing Construction and Milieu



C. Chun Shing Development



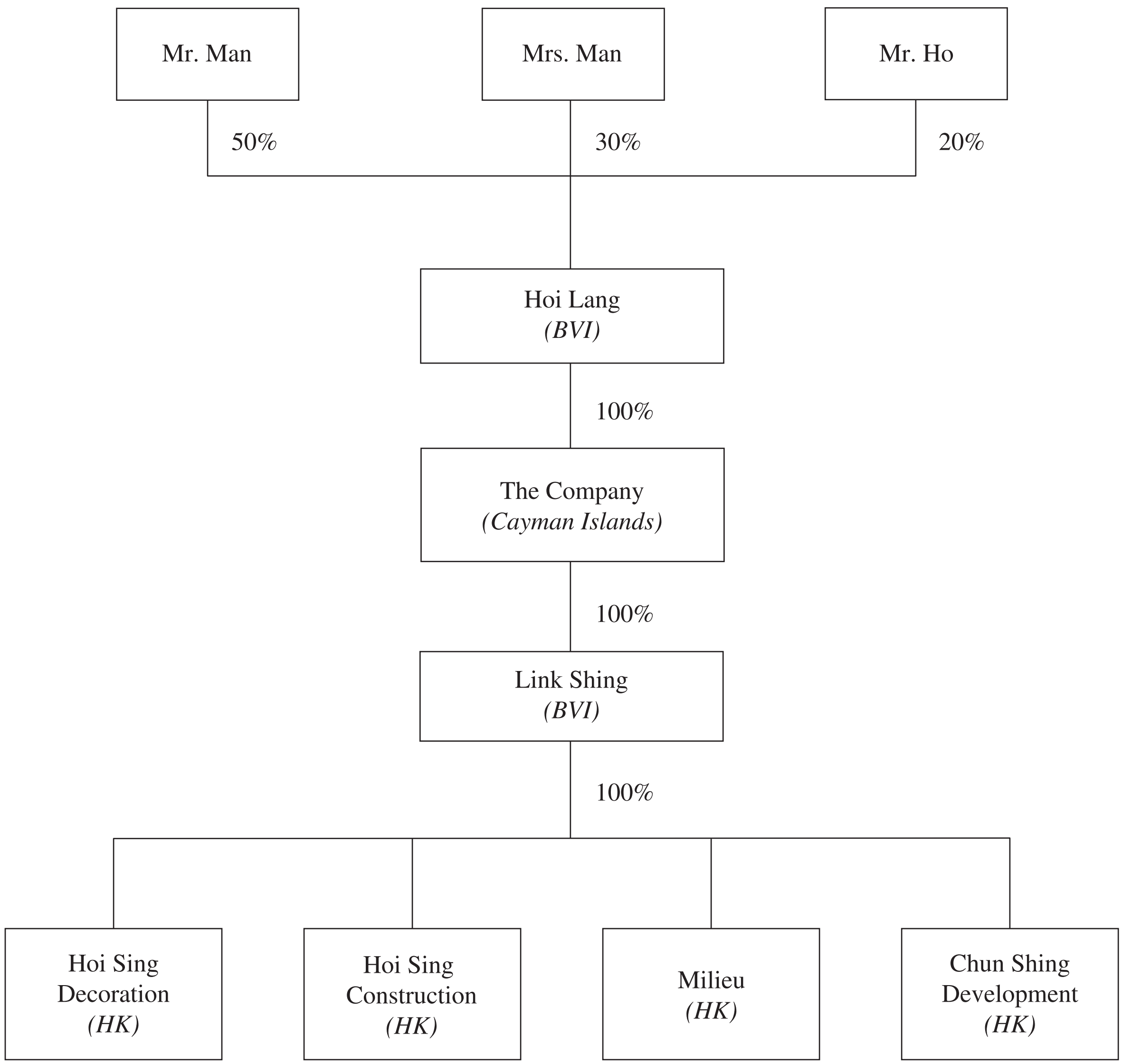
In contemplation of the **[REDACTED]**, members of our Group have undergone the Reorganisation. The Reorganisation involved the following steps:

1. Incorporation of Hoi Lang, our Company and Link Shing; and

2. Acquisition of Hoi Sing Decoration, Hoi Sing Construction, Milieu and Chun Shing Development by Link Shing.

Please refer to the paragraph headed "A. Further information about our Company – 5. Reorganisation" in Appendix IV to this document for further details of the abovementioned Reorganisation steps.

As at 18 September 2018, the Reorganisation has been legally completed. The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the **[REDACTED]** and the **[REDACTED]**:

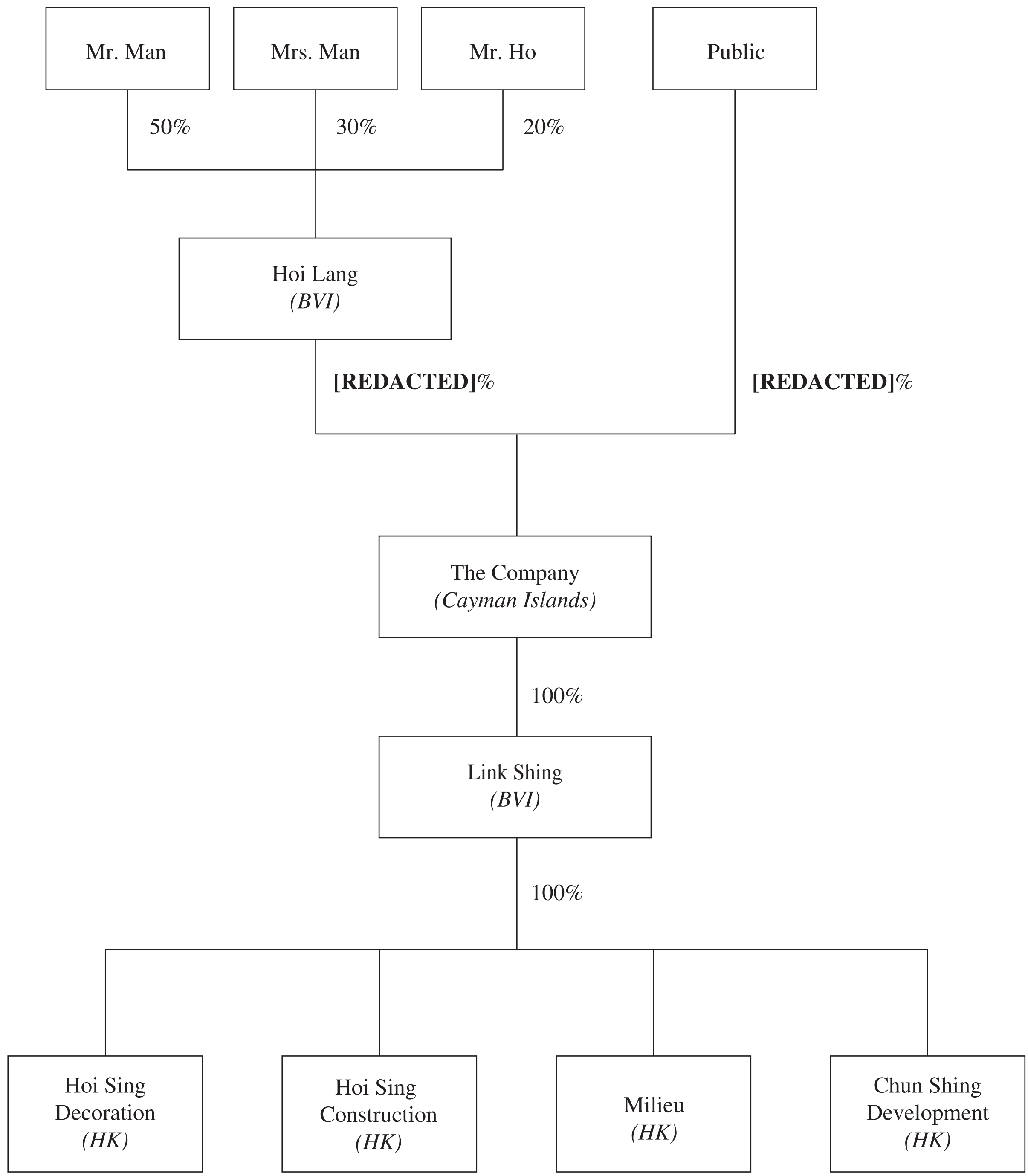


[REDACTED]

On 6 December 2018, the Company increased its authorised share capital to HK$10,000,000 by the creation of **[REDACTED]** additional Shares. Conditional upon the share premium account of the Company being credited as a result of the issue of the **[REDACTED]** by the Company pursuant to the **[REDACTED]**, the Directors will be authorised to capitalise the amount of HK$**[REDACTED]** from the share premium account of the Company by applying such sum towards the paying up in full at par a total of **[REDACTED]** Shares for the allotment and issue to the then shareholder of the Company, being Hoi Lang.

CORPORATE STRUCTURE

The corporate and shareholding structure of our Group immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme) is set forth as below:



OVERVIEW

We are an established fitting-out contractor in Hong Kong with over 22 years of experience since the establishment of one of our principal operating subsidiaries, Hoi Sing Decoration, in 1995.

Our fitting-out services cover both (i) fitting-out works conducted on new buildings; and (ii) interior renovation works on existing buildings that involve upgrades, makeovers and demolition of existing works. We mainly provide fitting-out services for residential and commercial properties in Hong Kong on a project basis. To a lesser extent, we also supply fitting-out materials such as timber products upon customers' requests in Hong Kong.

Revenue by business operations

The following table sets forth a breakdown of our revenue by business operations during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Fitting-out services	238,823	99.4	346,099	99.9	560,283	100.0	201,740	96.3
Supply of fitting-out materials	1,326	0.6	292	0.1	–	–	7,798	3.7
Total	240,149	100.0	346,391	100.0	560,283	100.0	209,538	100.0

Revenue under fitting-out services by property type

The following table sets forth a breakdown of our revenue under fitting-out services by property type during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Residential	222,789	93.3	341,776	98.8	530,355	94.7	197,204	97.8
Non-residential *(Note)*	16,034	6.7	4,323	1.2	29,928	5.3	4,536	2.2
Total	238,823	100.0	346,099	100.0	560,283	100.0	201,740	100.0

Note: Non-residential properties mainly include (i) commercial properties; and (ii) a residential care home for the elderly.

Revenue by customer type

During the Track Record Period, we focused on providing fitting-out services to customers from the private sector in Hong Kong. Our customers mainly include (i) property developers; (ii) contractors; and (iii) property owners.

The following table sets forth a breakdown of our revenue by customer type during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Property developers *(Note 1)*	237,284	98.8	344,264	99.4	424,400	75.8	169,996	81.1
Contractors	–	–	–	–	89,281	15.9	31,882	15.2
Property owners	1,539	0.6	1,835	0.5	22,900	4.1	5,184	2.5
Others *(Note 2)*	1,326	0.6	292	0.1	23,702	4.2	2,476	1.2
Total	240,149	100.0	346,391	100.0	560,283	100.0	209,538	100.0

Notes:

1. The category "Property developers" includes both property developers and their subsidiaries.

2. The category "Others" comprise transactions with Hoi Sing International which formerly engaged in retail trading of timber flooring and Customer I which engages in the provision of residential care services for the elderly. For details, please refer to the paragraph headed "Our customers – Top customers" in this section.

During the Track Record Period, we have established business relationship with over 40 customers, among which, Customer A, being our largest property developer customer during the Track Record Period, has over 12 years of business relationship with us. Our major customers include leading property developers. According to the Ipsos Report, the respective holding companies of some of our top five customers during the Track Record Period, namely Customer A, Customer B and Customer C, are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017. Our landmark projects undertaken throughout our operating history included providing fitting-out services for various residential and commercial development projects in Hong Kong. For some of our landmark projects undertaken throughout our operating history, please refer to the section headed "History, development and reorganisation – Key business milestones" in this document.

We pride ourselves in our project management capability and our ability to strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. We act as the project manager and principal coordinator for the works we are responsible for which encompasses planning, coordinating, monitoring and supervising the project from project implementation to completion as well as monitoring rectification of defects during the defects liability period. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, the subcontracting charges incurred by us amounted to approximately HK$134.5 million, HK$203.1 million, HK$276.9 million and HK$121.4 million, respectively.

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of materials required for performing our fitting-out services such as finished furniture products, timber products, glass and metal; and (iii) suppliers of other miscellaneous services such as rental of machinery and equipment, transportation services and consultancy services. For further information regarding our suppliers, please refer to the section headed "Business – Suppliers" in this document. The major cost components of our Group's operation include subcontracting charges and cost of materials, which in aggregate accounted for approximately 94.2%, 93.9%, 94.1% and 94.3% of our total direct costs for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively.

As advised by our HK Legal Counsel, there is no particular licence required to be obtained by our Group before we commence provision of fitting-out services except for the relevant business registration. All the necessary licences required for fitting-out projects in which our Group is involved are to be obtained by the relevant property developer and main contractor. Although not required under Hong Kong law, during the Track Record Period, Hoi Sing Decoration and Milieu are registered under the Subcontractor Registration Scheme of the Construction Industry Council. For further details of such registration, please refer to the paragraph headed "Licences and qualifications" in this section.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our historical success and future potential growth:

We have an established reputation and a proven track record in the fitting-out industry

Our first operating subsidiary, namely Hoi Sing Decoration, was incorporated in 1995 for the provision of fitting-out services in Hong Kong and we have since then accumulated more than 22 years of experience. Our landmark projects undertaken throughout our operating history included providing fitting-out services for various residential and commercial development projects in Hong Kong. For some of our landmark projects undertaken throughout our operating history, please refer to the section headed "History, development and reorganisation – Key business milestones" in this document. During the Track Record Period, we had undertaken over 130 fitting-out projects with an aggregate accumulated revenue recognised amounting to over HK$1,300 million. As an award of a project is usually based on industry reputation and proven track record according to the Ipsos Report, our Directors are of the view that the above would enable us to be capable of competing with both current and potential new competitors. With the support from our professional staff, suppliers and subcontractors, we believe we have established a good reputation in the fitting-out industry and have demonstrated a proven track record of completing projects on time as well as to the satisfaction of our customers.

We are one of the local fitting-out contractors in Hong Kong with established long-term business relationships with leading property developers

The fitting-out industry in Hong Kong is fragmented and competitive. According to the Ipsos Report, as at 31 October 2018, there were 700 companies registered as subcontractors under the category of renovation and fitting-out with the Construction Industry Council. Nevertheless, we have accumulated more than 22 years of operating history in Hong Kong with an established network of customers, suppliers and subcontractors. Our customers include property developers, contractors and property owners, with property developers contributing most of our revenue. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our revenue attributable to property developers amounted to approximately HK$237.3 million, HK$344.3 million, HK$424.4 million and HK$170.0 million, representing approximately 98.8%, 99.4%, 75.8% and 81.1% of our revenue, respectively. During the Track Record Period, we have established business relationship with over 40 customers, among which, Customer A, being our largest property developer customer during the Track Record Period, has over 12 years of business relationship with us. Our major customers include leading property developers. According to the Ipsos Report, the respective holding companies of some of our top five customers during the Track Record Period, namely Customer A, Customer B and Customer C, are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017. Our Directors are of the view that our established long-term business relationships with our major property developer customers differentiate us from our competitors.

Strong management team with in-depth knowledge in the fitting-out industry

With an experienced team of executive Directors and senior management, in which most of them have been working with our Group for over 16 years, we pride ourselves in our project management capability, in particular in (i) sourcing quality fitting-out materials from our suppliers and engaging suitable subcontractors; (ii) monitoring the quality of works in each project; and (iii) completing our projects on time and efficiently. Taking into consideration the daily operation such as implementing and supervising our works in efficient and timely manners, our Directors are of the view that our high calibre management team plays a vital role in our Group's historical success and future potential growth. Our executive Directors and senior management have extensive industry knowledge, project management experience and industry expertise in the fitting-out industry. We believe that the combination of our management's collective expertise and knowledge of the industry, together with our experienced employees, have been, and will continue to be, our valuable assets. For details of the experience of our Directors and senior management, please refer to the section headed "Directors, senior management and employees" in this document.

BUSINESS STRATEGIES AND FUTURE PLANS

We aim to further strengthen our market position in the fitting-out industry in Hong Kong by pursuing the following strategies. For further details on how we intend to implement the below business strategies, please refer to the section headed "Future plans and **[REDACTED]**" in this document.

Expanding our market share through undertaking more sizeable fitting-out projects

According to the Ipsos Report, the total gross output value of the fitting-out industry is forecasted to increase from approximately HK$31.3 billion to approximately HK$39.2 billion at a CAGR of 5.8% from 2018 to 2022 due to the expected growth in both residential and commercial fitting-out industry. In particular the gross output value generated from residential fitting-out works is forecasted to increase from approximately HK$10.1 billion in 2018 to approximately HK$12.6 billion in 2022 at a CAGR of 5.7%. Such forecasted growth is attributable to the increase in demand for new private development projects and micro private residential units. According to the Transport and Housing Bureau's Long Term Housing Strategy Annual Progress Report 2017, as of the end of September 2017, the supply of first-hand private residential property market for the coming three to four years is approximately 97,000 units. The increasing supply in private residential units is expected to boost the development of fitting-out works. Further, the demand and supply for micro residential units have been increasing in recent years due to its slightly more affordable price in a smaller size as compared to the high end large property units. This trend creates more residential units under the same developed gross floor area, which leads to an increase in the demand of fitting-out services, according to the Ipsos Report.

During the Track Record Period, we focused on providing fitting-out services to customers from the private sector in Hong Kong and revenue attributable to property developers represented approximately 98.8%, 99.4%, 75.8% and 81.1% of our total revenue for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. Further, we primarily focus on providing fitting-out services for residential properties and revenue attributable to provision of fitting-out services for residential properties represented approximately 93.3%, 98.8%, 94.7% and 97.8% of our revenue from fitting-out services for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. In light of the expected growth in the residential fitting-out industry, our Directors believe that we can take advantage of emerging opportunities driven by the forecasted growth in the industry. According to the Ipsos Report, the total revenue of the fitting-out industry in Hong Kong in 2017 was approximately HK$28.5 billion. The estimated total revenue of our Group in 2017 was HK$346.4 million. Based on these figures, it is estimated that our Group's market share in the fitting-out industry in Hong Kong is approximately 1.2%. We intend to expand our market share through undertaking more sizeable fitting-out projects with contract sum ranging from approximately HK$100 million to HK$150 million per project with an aim to generate strong revenue stream. With our established reputation and proven track record in the fitting-out industry, we believe we are well-positioned to undertake more sizeable fitting-out projects in Hong Kong to cater for the emerging business opportunities driven by the forecasted growth in the industry. Our Directors take the view that we can achieve this through (i) strengthening our financial position; and (ii) expanding our workforce.

With a strengthened financial position, we are in a better position to tender for more sizeable fitting-out projects with large contract sums given that (i) we can easily satisfy project upfront costs requirements of sizeable fitting-out projects from new customers; and (ii) we will be able to adopt a more competitive pricing strategy in tendering for fitting-out projects from new customers to capture new business opportunities even when there are performance bond requirements thereby further expanding our market share amid the growing fitting-out industry. With such flexibility in allocating our financial resources, we believe we can effectively implement the tender and pricing strategies which our management has formulated from time to time. On the other hand, with an expanded workforce, we will have more capacity to take up more sizeable fitting-out contracts from both existing and new customers. In particular with our own direct labour resources in carrying out on-site labour intensive works, we will have more flexibility in deciding whether to subcontract the labour intensive works to our subcontractors or to carry out the work using our own direct labour resources where appropriate.

Strengthening our financial position

We believe it is of paramount importance to maintain financially sound and stable in order to take on extra sizeable fitting-out projects as the upfront costs will tie up our resources. Our Directors believe that we can strengthen our financial position through reserving cash for our projects and minimising interest cost expenses.

The upfront costs of our projects generally include subcontracting charges and costs of materials. We target to undertake sizeable projects with contract sum ranging from approximately HK$100 million to HK$150 milion per project. These sizeable projects are generally cash flow demanding. Based on our operation history during the Track Record Period, a sizeable project with total contract sum ranging from HK$100 million to HK$150 million with a new customer generally requires us to pay upfront costs representing approximately 10% of the total contract sum before such costs can be recovered from our customers after a period of approximately 3 to 4 months. We believe **[REDACTED]** from the **[REDACTED]** will strengthen our available financial resources to satisfy the requirements for the upfront costs of our projects in the future and allow us to undertake more sizeable projects.

In addition, although we were only contractually required to obtain performance bonds from a bank under two of our projects in order to secure our due and timely performance as at the Latest Practicable Date, we had also submitted tenders for fitting-out projects as at the Latest Practicable Date with new customers, which may require us to provide performance bonds. For details, please refer to the table of potential projects set out in section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document. If our tender bids were successful, we may be required to obtain performance bonds, representing approximately 10% of the original contract sum. Our Directors therefore consider that if we intend to expand our market share through undertaking more sizeable fitting-out projects, in particular from new customers, we may inevitably encounter tender/quotation invitations that require us to obtain performance bonds to secure our performance and it will be optimal to reserve our cash for projects of this kind in this regard.

During the Track Record Period, we have become increasingly reliant on our bank borrowings for financing our business operations. As at 31 March 2016, 2017, 2018, 31 July 2018 and 31 October 2018, our bank borrowings amounted to HK$15.2 million, HK$30.4 million, HK$33.6 million, HK$45.3 million and HK$33.4 million, respectively, with effective interest rates of bank borrowings ranging from HKD Prime Rate minus 0.5% to HKD Prime Rate plus 0.5% per annum, flat rate of 4.2% and flat rate of 4.8%, while our interest paid on our bank borrowings for FY2015/2016, FY2016/17, FY2017/18 and the four months ended 31 July 2018 amounted to approximately HK$1.2 million, HK$1.0 million, HK$1.7 million and HK$0.6 million, respectively. As at 31 October 2018, we had approximately HK$9.0 million of unutilised banking facilities. Given the anticipated increase in interest rates, we expect interest incurred from our bank borrowings will continue to surge at the same gearing level. Our Directors therefore consider that it will be beneficial for us to minimise our future interest cost expenses through repaying our existing bank borrowings.

Expanding our workforce

As at the Latest Practicable Date, we had 83 full-time employees, of which 52 were from our project department comprising 13 project managers and 39 site supervisors. Limited by the manpower of our current project management team, in particular project managers and site supervisors who supervise our subcontractors at the project sites, we believe it is crucial to expand our in-house team of staff in order to cater for a larger number of sizeable fitting-out projects to be undertaken by us. In addition, although we strategically subcontract on-site labour intensive works to our subcontractors in order to optimise our business operation, our Directors consider that going forward, depending on the project nature and the particular customer, it may be beneficial for us to carry out the labour intensive works using our own direct labour resources rather than subcontracting. Our Directors consider that we may be able to achieve a higher profit margin for our projects through using our own labour resources rather than through subcontracting since we have more control as to the profit markup. For a cost benefit analysis on expanding our in-house team as compared to subcontracting, please refer to the section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document.

Continue to emphasise and maintain high standards of project planning, management and implementation

We pride ourselves in our project management capability and maintain overall project management and implementation at our project sites. We will continue to collaborate with our subcontractors in our pursuit of overall project quality. More importantly, we will continue to apply our systematic approach to project management to further standardise and streamline different areas of our operations. We believed that with an expanded team of project management professionals, we are well-positioned to enhance the project planning and management process so that we can closely monitor various activities at the project site as well as the resources required at different stages of the project. In addition, our professional team will ensure that our projects are completed in strict adherence to project timetables and specifications and within the budget. We will also continue to implement strict quality control measures to monitor our product quality and workmanship throughout the entire process. We believe that our ability to maintain high standard services will improve customer comfort and satisfaction and in turn enhance our capability to compete with other industry peers in the future.

Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

We will continue to closely monitor our capital and cash positions and carefully manage key areas such as subcontracting charges and cash flow. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature. In addition, we will continue to focus on our internal control system to maintain adequate cash flow for our ongoing capital requirements and to achieve maximum cost savings.

OUR PRINCIPAL BUSINESS AND BUSINESS MODEL

Fitting-out services

Our fitting-out services cover both (i) fitting-out works conducted on new buildings; and (ii) interior renovation works on existing buildings that involve upgrades, makeovers and demolition of existing works. Our fitting-out services are mainly provided for residential and commercial properties in Hong Kong on a project basis. Our fitting-out projects are awarded through either competitive tenders or quotation invitations. We offer an array of fitting-out services such as ceiling, metal and glass works, as well as installation of built-in furniture, timber flooring, kitchen cabinetries and timber doors. The installation of timber flooring, kitchen cabinetries and timber doors under our fitting-out services portfolio are generally provided for new residential buildings. Timber flooring fitting-out services mainly include supply and installation of timber flooring and skirting. Kitchen cabinetry installation services mainly include supply and installation of kitchen cabinetries and relevant kitchen materials such as sinks and hook rails. Timber door installation services mainly include supply and installation of timber doors, doorframes, doorframe lines and relevant materials such as door holdfasts, door hinges and doorknobs.

We pride ourselves in our project management capability. We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. We act as the project manager and principal coordinator for the works we are responsible for which encompasses planning, coordinating, monitoring and supervising the project from project implementation to completion as well as monitoring rectification of defects during the defects liability period. We assign adequate project managers to monitor different aspects of our projects in order to ensure the quality of our subcontractors' works and adhere to contract specifications and timetable. Depending on the contractual terms, we may also be responsible for assigning adequate safety officers and/or safety supervisors to monitor the safety matters of our projects.

During the Track Record Period, we had undertaken over 130 fitting-out projects with an aggregate accumulated revenue recognised amounting to over HK$1,300 million, and fitting-out services contributed most of our revenue. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, revenue attributable to fitting-out services amounted to approximately HK$238.8 million, HK$346.1 million, HK$560.3 million and HK$201.7 million, representing approximately 99.4%, 99.9%, 100.0% and 96.3% of our total revenue, respectively. Our fitting-out services covered both residential properties and non-residential properties, with a primary focus on residential properties, representing approximately 93.3%, 98.8%, 94.7% and 97.8% of our revenue from fitting-out services for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively.

Supply of fitting-out materials

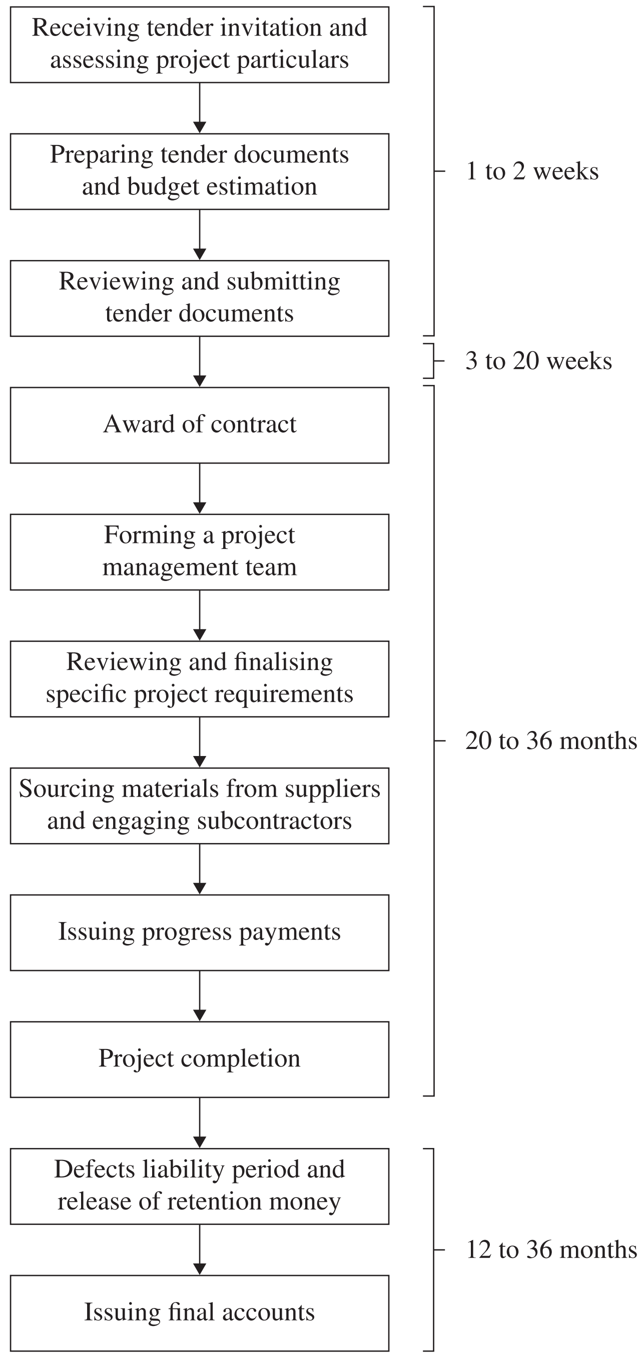
To a lesser extent, we also supply fitting-out materials upon customers' requests in Hong Kong. Fitting-out materials supplied included timber products without the provision of corresponding fitting-out services. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, revenue attributable to supply of fitting-out materials amounted to approximately HK$1.3 million, HK$0.3 million, nil and HK$7.8 million, representing approximately 0.6%, 0.1%, nil and 3.7% of our total revenue, respectively.

Operation flow

In order to optimise our overall project management on quality and adherence to timetable, we assign our project managers and site supervisors to supervise our subcontractors at the project site. As at the Latest Practicable Date, we had 13 project managers and 39 site supervisors. We engage subcontractors for our project works in the form of quotations. As at the Latest Practicable Date, we had more than 140 suppliers and subcontractors on our internal approved suppliers and subcontractors list. In addition, we procure some fitting-out materials from our suppliers through making purchase orders. With the long-term and stable support from our subcontractors and suppliers, we believe we are able to satisfy our customers' needs and secure continuing business opportunities.

Our projects are awarded through either competitive tenders or quotation invitations. The execution of our projects involves different stages and the duration of our projects varies depending on customer specifications and project complexity. During the Track Record Period, our fitting-out projects were generally completed within 20 to 36 months from a project being awarded to us.

The diagram below illustrate the general steps involved in executing our projects awarded through tenders:



Receiving tender invitation and assessing project particulars

Our customers generally send us tender invitations with general information of the potential projects. We will conduct preliminary assessment on whether the potential projects are commercially viable. If we have accepted the invitation, our customers will provide us with a tender package which specifies the project requirements including, among other things, specifications, schedule of rates, drawings, contact details and closing time of the tender.

Preparing tender documents and budget estimation

We adopt a cost-plus pricing model in order to determine our tender price. When we are determining the estimated cost, we may conduct site visits and/or attend meetings if necessary to have a better understanding of the site conditions and constraints. It generally takes a period of 1 to 2 weeks for us to assess and finalise the tender price and the requisite tender documents. With a view to estimate costs more accurately, it is our practice to invite our approved suppliers and subcontractors to submit preliminary quotations to us when we are preparing our tender submissions. For further details on our pricing strategy, please refer to the paragraph headed "Pricing strategy" in this section.

Reviewing and submitting tender documents

Our executive Directors will review our tender documents before submitting to our potential customers. We may be invited to attend tender interviews to discuss and clarify the work scope and specifications as well as negotiating and finalising the contract terms and contract sum with our customers. If our customer accepts our tender proposal, we will receive a letter of acceptance specifying the commencement date of the project.

Award of contract

During the Track Record Period, our projects are secured through submitting tenders/quotations. The following table sets forth the statistics of our tenders during the Track Record Period:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2018**
Number of tenders/quotations submitted	106	74	93	15
Number of successful tenders/quotations	30	20	33	2
Success rate	28.3%	27.0%	38.4%	40.0%

Note: In the above table, success rate for a financial year or period is calculated based on the number of contracts awarded (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tenders/quotations submitted during that financial year or period. As at the Latest Practicable Date, 7 out of 93 tenders/quotations submitted in FY2017/18 and 10 out of 15 tenders/quotations submitted during the four months ended 31 July 2018 had not expired and the results were pending. These tenders/quotations were excluded for the purpose of determining the success rate.

The number of tenders/quotations we submitted dropped from 106 for FY2015/16 to 74 for FY2016/17 as a result of 2 fitting-out projects being awarded to us with a total contract sum of over HK$350 million in June 2016. As it was estimated that these sizeable fitting-out projects would tie up most of our resources, we therefore submitted less tenders/quotations for FY2016/17. The number of tenders/quotations subsequently rose to 93 for FY2017/18 as we hired more project managers and site supervisors during FY2017/18 to cater for our projects. We therefore submitted more tenders/quotations during such period. Our Directors are of the view that the higher tenders/quotations success rate recorded in FY2017/18 was mainly due to our more competitive pricing strategy for tenders/quotations submitted in FY2017/18 as compared to FY2016/17 in an attempt to secure more new projects as we were able to allocate more staff to our projects. We submitted less tenders/quotations during the four months ended 31 July 2018 as compared to the four months ended 31 July 2017 as our Directors considered that the total revenue attributable to the projects in our backlog as at 31 March 2018 had already reached over HK$500 million as at the same date and therefore we would need to be less aggressive in submitting tenders/quotations to make sure that we have sufficient financial and human resources to handle the projects awarded by our customers.

It is our strategy to be responsive to our customers' tender/quotation invitations, and actively provide to our customers our tender submissions or reply to quotations upon receipt of their invitations. Our Directors believe that this can enable us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender/quotation strategy of our competitors from time to time, we may experience fluctuations in our overall tender/quotation success rates from period to period. Given our tender/quotation strategy and in view of our performance over the Track Record Period and our projects on hand as at the Latest Practicable Date (please refer to the paragraph headed "Our projects undertaken during the Track Record Period – Projects on hand" in this section), our Directors consider that our overall tender/quotation success rate during the Track Record Period has been satisfactory in general.

Forming a project management team

Upon securing a contract from our customer, we will form a specific project management team generally comprising a project manager and a safety officer/safety supervisor. Our project management team is responsible for overseeing the project execution, identifying on-site issues, taking possible remedial actions and reporting working progress. Our project managers will closely monitor our subcontractors in each project by having regular on-site meeting with our customer and subcontractors. These can ensure that we comply with our customer's requirements and deliver quality work in accordance with the project timetable.

Reviewing and finalising specific project requirements

We are required to carry out fitting-out services according to the designs and work plans as set out in the tender documents as well as our customers' requirements. We are generally not required to offer advice to our customers for their design and work plans. From time to time, our project management team reviews and clarifies the specific project requirements with our customers, gives feedback to our customers and resolves with our customers any problems encountered.

Sourcing materials from suppliers and engaging subcontractors

We maintain our internal list of approved suppliers and subcontractors, which is updated on an ongoing basis. During the preparation of tendering documents, we obtain preliminary quotations from our fitting-out materials suppliers and subcontractors to facilitate our cost estimations. We generally do not maintain any inventory for fitting-out materials and place purchase orders with our suppliers based on the specific needs of each fitting-out project. Our suppliers would directly deliver and store the fitting-out materials in the corresponding project site. Before the fitting-out materials are delivered, our project managers will perform site visit at the respective factory for inspection.

Issuing progress payments

We submit monthly payment applications to our customers with reference to progress payment summaries certified by the consultants appointed by our customers which indicates the percentage of work done in the preceding month and the corresponding amount payable by our customers. For details of our principal terms of engagement with our customers, please refer to the paragraph headed "Our customers – Principal terms of engagement with our customers".

Our subcontractors generally submit payment requests to us on a monthly basis based on percentage of work done under the subcontracted works. Taking into account the complexity of the works, our project manager will assess and verify the percentage of work done before settlement. Payments are generally made within 30 days after we approve the subcontractor's payment request. For details of our principal terms of engagement with our subcontractors, please refer to the paragraph headed "Our suppliers – Principal terms of engagement with our subcontractors".

Project completion, defects liability period and issuing final accounts by our customers

Upon completing our projects, we will hand over the project to our customers upon which the defects liability period will start. At the end of the defects liability period, our rectifications obligations will be completed and where there is retention money under the contract, our customers will release the remaining retention money to us. After the defects liability period, we will follow up with customers and reach agreement on the final accounts.

OUR PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

All our fitting-out services are provided on a project basis and our fitting-out projects are awarded through either competitive tenders or quotation invitations. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, the average duration of our fitting-out projects with revenue recognised was approximately 34 months, 36 months, 32 months and 31 months, respectively. The below paragraphs set forth particulars of our fitting-out projects undertaken during the Track Record Period.

Number of fitting-out projects

The following table sets forth the number of fitting-out projects which contributed revenue to us during the Track Record Period:

	FY2015/16		**FY2016/17**		**FY2017/18**		**Four months ended 31 July 2018**	
	Number of projects	*HK$'000*	*Number of projects*	*HK$'000*	*Number of projects*	*HK$'000*	*Number of projects*	*HK$'000*
Fitting-out services	70	238,823	69	346,099	64	560,283	44	201,740

Movement in our number of fitting-out projects

The following table sets forth movement in our number of fitting-out projects with revenue contribution during the Track Record Period, with breakdown of new projects commenced during the year and projects completed during the relevant year:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2018**
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
Projects brought forward from previous year/period	41	41	38	23
New projects commenced works during the year/period	29	28	26	6
Less: Projects completed during the year/period	29	31	41	–
Projects carried forward to next year/period	41	38	23*(Note)*	29

Note: As at 31 March 2018, we had 27 fitting-out projects in our backlog, of which 4 had not yet commenced works. For details of our fitting-out projects in our backlog, please refer to the paragraph headed "Our projects undertaken during the Track Record Period – Backlog" in this section.

Number of fitting-out projects by range of revenue recognised

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, there were, respectively, 70, 69, 64 and 44 fitting-out projects which contributed approximately HK$238.8 million, HK$346.1 million, HK$560.3 million and HK$201.7 million, respectively to our revenue. The following table sets forth a breakdown of such projects based on their respective range of revenue recognised during the Track Record Period:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four mouths ended 31 July 2018**
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
Revenue recognised				
HK$50 million or above	1	1	3	0
HK$10 million to below HK$50 million	7	12	9	6
HK$1 million to below HK$10 million	11	18	17	18
Below HK$1 million	51	38	35	20
Total	70	69	64	44

Number of fitting-out projects by range of total contract sum

The following table sets forth a breakdown of the number of fitting-out projects with revenue recognised during the Track Record Period by range of total contract sum taking into account variation orders:

	FY2015/16	FY2016/17	FY2017/18	Four mouths ended 31 July 2018
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
Total contract sum				
Above HK$100 million	1	3	4	5
HK$50 million to below HK$100 million	4	4	3	3
HK$10 million to below HK$50 million	21	24	24	20
HK$1 million to below HK$10 million	16	17	16	11
Below HK$1 million	28	21	17	5
Total	70	69	64	44
Average total contract sum	HK$13.0 million	HK$19.8 million	HK$22.8 million	HK$35.0 million

Major projects

The following tables set forth particulars of our five largest fitting-out projects for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018 in terms of revenue contribution:

FY2015/16

Project (Note 1)	Customer	Location	Type of project	Scope of works	Actual/ expected project duration (Note 2)	Total contract sum (Note 3) HK$'000	Revenue recognised for the year HK$'000	Percentage of our revenue for the year %
Project 1	Customer A	No. 9 Long Yat Road, Yuen Long	Fitting-out services for a residential development project	Supply and installation of timber doors and cabinets and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2014 to December 2017	128,402	62,299	25.9
Project 2	Customer B	No. 633 Clear Water Bay Road, Sai Kung	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units and lift lobbies	August 2015 to October 2017	97,410	29,260	12.2
Project 3	Customer A	No. 18 Castle Peak Road Tam Mi, Yuen Long	Fitting-out services for a residential development project	Installation of timber doors and provision of painting, ceiling, glass and metal works within lobbies, corridors and lifts	September 2014 to April 2018	38,669	19,592	8.2
Project 4	Customer A	No. 58 Belcher's Street, Kennedy Town	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	August 2014 to April 2018	24,712	17,968	7.5
Project 5	Customer B	Nos. 16–18 Queen's Road Central, Central	Fitting-out services for a commercial building	Supply and installation of timber doors and provision of ceiling and glass works within main lobby and lift lobbies	March 2015 to April 2018	22,276	16,034	6.7

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer and the project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

FY2016/17

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Actual/ expected project duration *(Note 2)*	Total contract sum *(Note 3)* *HK$'000*	Revenue recognised for the year *HK$'000*	Percentage of our revenue for the year *%*
Project 2	Customer B	No. 633 Clear Water Bay Road, Sai Kung	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units and lift lobbies	August 2015 to October 2017	97,410	55,401	16.0
Project 1	Customer A	No. 9 Long Yat Road, Yuen Long	Fitting-out services for a residential development project	Supply and installation of timber doors and cabinets and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2014 to December 2017	128,402	41,981	12.1
Project 6	Customer B	No. 633 Clear Water Bay Road, Sai Kung	Fitting-out services for a residential development project	Supply and installation of timber flooring and timber doors and provision of ceiling works, glass and metal works within lift lobbies	January 2016 to October 2017	26,849	26,849	7.8

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Actual/ expected project duration *(Note 2)*	Total contract sum *(Note 3)* *HK$'000*	Revenue recognised for the year *HK$'000*	Percentage of our revenue for the year *%*
Project 7	Customer A	No. 11 Tak Yip Street, Yuen Long	Fitting-out services for a residential development project	Supply and installation of cabinets and timber door and provision of painting, ceiling, glass and metal works within residential units, lift lobbies and lifts	February 2016 to August 2018	30,727	26,434	7.6
Project 8	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provisions of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	190,005	22,587	6.5

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer and the project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

FY2017/18

Project (Note 1)	Customer	Location	Type of project	Scope of works	Actual/ expected project duration (Note 2)	Total contract sum (Note 3) *HK$'000*	Revenue recognised for the year *HK$'000*	Percentage of our revenue for the year *%*
Project 8	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provisions of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	190,005	130,086	23.2
Project 9	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provisions of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	179,261	122,730	21.9
Project 10	Customer H	STTL No. 578, Area 56A, Kau To Shan	Fitting-out services for a residential development project	Supply and installation of cabinets, timber doors and timber flooring and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	May 2017 to March 2019	140,300	83,202	14.8
Project 11	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets within residential units	October 2015 to December 2018	63,097	35,684	6.4
Project 12	Customer I	Unit 1, L1/F, Ming Chuen House, Shui Chuen O Estate, Sha Tin	Fitting-out services for a residential care centre for the elderly	Supply and installation of cabinets and timber doors and provision of plaster, painting, ceiling, glass and metal works within a residential care centre for the elderly	July 2017 to December 2017	23,702	23,702	4.2

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer and the project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

Four months ended 31 July 2018

Project	Customer	Location	Type of project	Scope of works	Actual/expected project duration	Total contract sum	Revenue recognised for the period	Percentage of our revenue for the period
						HK$'000	*HK$'000*	*%*
Project 13	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of timber door and cabinet and provisions of ceiling, glass and metal works within residential units, lift lobby and lifts	December 2017 to December 2019	177,033	37,142	17.7
Project 8	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets and timber doors and provisions of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	190,005	31,656	15.1
Project 9	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets and timber doors and provisions of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	179,261	28,369	13.5

Project	Customer	Location	Type of project	Scope of works	Actual/expected project duration	Total contract sum	Revenue recognised for the period	Percentage of our revenue for the period
						HK$'000	*HK$'000*	*%*
Project 10	Customer H	STTL No. 578, Area 56A, Kau To Shan	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets, timber doors and timber flooring and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	May 2017 to March 2019	140,300	22,518	10.7
Project 14	Customer B	No.18 Hanoi Road, Tsim Sha Tsui	Fitting-out services for a shopping mall	Supply and installation of kitchen cabinet and timber door and provision of ceiling glass and metal works within atrium, toilet, corridor, tunnel, amenity area and lift lobby	May 2018 to November 2019	55,103	13,497	6.4

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer and the project completion date is determined based on the date we submitted our payment application to our customer for 100% of our work done or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

Backlog

As at 31 March 2016, 2017, 2018, 31 July 2018 and the Latest Practicable Date, we had a total of 41, 38, 27, 29 and 31 fitting-out projects in our backlog (including projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with revenue derived or expected to be derived from such projects as follows:

	As at 31 March 2016	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 July 2018**	**As at the Latest Practicable Date**
Number of projects in our backlog					
– projects brought forward from the previous financial year	30	23	19	27	26
– projects commenced or awarded during the financial year/period	11	15	8	2	5
	41	38	27	29	31
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total estimated contract sum *(Note)*					
– projects brought forward from the previous financial year	586,085	623,815	846,811	1,240,203	1,071,678
– projects commenced or awarded during the financial year/period	233,063	522,192	265,511	70,903	190,681
	819,148	1,146,007	1,112,322	1,311,106	1,262,359
Total revenue attributable to such projects recognised on or before the date indicated	(528,363)	(651,238)	(609,361)	(919,205)	(901,072)
Total revenue attributable to such projects yet to be recognised as at the date indicated	290,785	494,769	502,961	391,901	361,287

Note: The total estimated contract sum represents the original estimated contract sum stated in the contract, or where applicable, subsequent adjustments due to variation orders.

Projects on hand

Our projects on hand represent projects that have commenced but not completed and projects that have been awarded to us but works have not yet been commenced. As at the Latest Practicable Date, we had a total of 31 projects on hand among which 24 were major projects with total contract sum exceeding HK$10.0 million each and 7 were projects with total contract sum less than HK$10.0 million each. The aggregate total contract sum of these 7 projects each with total contract sum less than HK$10.0 million was approximately HK$24.4 million. The following table sets forth the details of our major projects on hand with total contract sum exceeding HK$10.0 million each as at the Latest Practicable Date (in descending order by contract sum):

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)*	Revenue recognised during the Track Record Period FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018	Revenue to be recognised	Percentage of completion as at the Latest Practicable Date
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Project 8	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	June 2016 to December 2018	197,972	–	22,587	130,086	31,656	13,643	99.6
Project 13	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2017 to September 2019	177,033	–	–	– *(Note 4)*	37,142	139,891	52.7
Project 10	Customer H	STTL No. 578, Area 56A, Kau To Shan	Fitting-out services for a residential development project	Supply and installation of cabinets, timber doors and timber flooring and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	May 2017 to March 2019	140,000	–	–	83,202	22,518	34,280	85.0
Project 1	Customer A	No.9 Long Yat Road, Yuen Long	Fitting-out service for a residential development project	Supply and installation of timber door and cabinets and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	December 2014 to February 2019	128,402	62,299	41,981	14,744	2,031	3,775	97.1
Project 52	Customer A	TMTL No. 515, Tuen Mun	Fitting-out services for a residential development project	Supply and installation of cabinets and doors and provision of ceiling and metal works in residential units	December 2018 to April 2020	78,875	–	–	–	–	78,875	–
Project 11	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of cabinets within residential units	October 2015 to December 2018	65,745	3,468	10,366	35,684	11,513	4,714	98.6
Project 14	Customer B	No. 18 Hanoi Road, Tsim Sha Tsui	Fitting-out services for a shopping mall	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within atrium, toilets, corridors, tunnels, amenity area and lift lobbies	May 2018 to November 2019	55,103	–	–	–	13,497	41,606	52.9

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)*	Revenue recognised during the Track Record Period				Revenue to be recognised	Percentage of completion as at the Latest Practicable Date
							FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018		
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Project 15	Customer A	STTL No. 581, Yiu Sha Road, Whitehead, Ma On Shan	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of glass and metal works within residential units, lift lobbies and lifts	July 2017 to March 2019	44,060	–	–	4,311	8,543	31,206	53.5
Project 16	Customer A	No. 28 Sham Mong Road, Nam Cheong	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets and kitchen wall finishing within residential units	July 2017 to December 2019	37,984	–	–	– *(Note 4)*	2,317	35,667	46.1
Project 7	Customer A	No. 11 Tak Yip Street, Yuen Long	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of painting, ceiling, glass and metal works within residential units, lift lobbies and lifts	February 2016 to August 2018	30,784	–	26,434	3,808	364	178	99.6
Project 37	Customer A	Pak Tai Street, Ma Tau Kok	Fitting-out services for a residential building	Supply and installation of cabinets and door and provision of ceiling and glass works in residential units, lobbies and lifts	December 2018 to November 2019	30,615	–	–	–	–	30,615	0.4
Project 17	Customer B	No. 1 Kai Yuen Street, North Point	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units	August 2016 to December 2018	26,991	–	7,167	15,567	3,596	661	99.8
Project 18	Customer C	No. 88 Castle Peak Road Kwu Tung, Fanling	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units	September 2017 to March 2019	26,981	–	–	2,114	9,750	15,117	59.7
Project 19	Customer B	STTL No. 520, Tai Wai	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units, basements and platforms	February 2018 to June 2019	26,718	–	–	– *(Note 4)*	679	26,039	11.1
Project 12	Customer I	Unit 1, L1/F, Ming Chuen House, Shui Chuen O Estate, Sha Tin	Fitting-out services for a residential care centre for the elderly	Supply and installation of kitchen cabinet and timber door and provision of plaster, painting, ceiling, glass and metal works within a residential care centre for the elderly	July 2017 to December 2019	26,667	–	–	23,702	2,477	488	98.3
Project 20	Customer A	STTL No. 581, Yiu Sha Road, Whitehead, Ma On Shan	Fitting-out services for a residential development project	Provision of ceiling works within residential units and lobbies	September 2017 to March 2019	24,357	–	–	2,383	5,141	16,833	55.0
Project 21	Customer A	No. 23 Babington Path, Sai Wan	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units, lift lobbies and lifts	April 2016 to June 2018	23,502	–	14,203	7,429	1,367	503	99.9
Project 22	Customer A	TCTL No. 36, Area 55A, Tung Chung	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	August 2014 to March 2019	18,132	5,827	11,039	492	–	38	99.8
Project 24	Customer A	TMTL No. 509, Tuen Mun	Fitting-out services for a residential development project	Supply and installation of cabinets and timber doors and provision of ceiling, glass and metal works within residential units and lobby corridors	July 2017 to October 2018	16,043	–	–	10,476	4,053	1,514	98.8
Project 25	Non top five customer	YTIL No. 42, 1 Lei Tue Mun Path, Lei Yue Mun	Fitting-out services for a residential development project	Supply and installation of kitchen cabinets within residential units	May 2018 to February 2019	15,800	–	–	–	2,365	13,435	31.0

Project *(Note 1)*	Customer	Location	Type of project	Scope of works	Expected project duration *(Note 2)*	Total contract sum *(Note 3)*	Revenue recognised during the Track Record Period			Four months ended 31 July 2018	Revenue to be recognised	Percentage of completion as at the Latest Practicable Date
							FY2015/16	FY2016/17	FY2017/18			
						HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Project 26	Customer C	STTL No. 502, Lok Wo Sha, Ma On Shan	Fitting-out services for a residential development project	Supply and installation of timber doors within residential units and platforms	April 2015 to August 2018	13,622	8,606	3,355	86	64	264	98.1
Project 27	Customer A	No. 18 Castle Peak Rd Tam Mi, Yuen Long	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	September 2016 to March 2019	11,568	–	2,880	5,811	–	2,877	97.5
Project 28	Customer C	No. 88 Castle Peak Road Kwu Tung, Fanling	Fitting-out services for a residential development project	Supply and installation of timber flooring within residential units	October 2018 to March 2019	10,736	–	–	–	1,383	9,353	50.0
Project 47	New customer	Nos. 45–65A Pok Fu Lam Road, Hong Kong	Fitting-out services for a residential building	Supply and installation of cabinets within residential units	December 2018 to November 2019	10,288	–	–	–	–	10,288	–

Notes:

1. The project list is categorised based on separate contracts awarded by the customer regardless of the project location. The same or similar types of services may be provided under different projects for different towers or phases within the same residential property development site. Accordingly, depending on the contracts awarded by the customer, there may be more than one project for the same project location. Projects 1 to 14 were our major projects in terms of revenue contribution undertaken during the Track Record Period, among which Projects 1, 7, 8, 10, 11, 12, 13 and 14 were still ongoing as at the Latest Practicable Date. For details of our major projects undertaken during the Track Record Period, please refer to the paragraph headed "Our projects undertaken during the Track Record Period – Major projects" in this section.

2. The project start date is determined based on the date of the letter of award or contract or first invoice to customer or our Directors' estimation (in respect of Projects 37, 47 and 52 which were expected to commence in December 2018) and the project completion date is determined based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.

3. The total contract sum represents the original estimated contract sum stated in the contract taking into account subsequent adjustments due to variation orders.

4. The project start dates for these projects are determined based on the date of the letter of award. As confirmed by our Directors, works for these projects had not yet commenced as at 31 March 2018. As such, no revenue was recognised for these projects during FY2017/18.

LICENCES AND QUALIFICATIONS

As advised by our HK Legal Counsel, there is no particular licence required to be obtained by our Group before we commence provision of fitting-out services except for the relevant business registration. All the necessary licences required for fitting-out projects in which our Group is involved are to be obtained by the relevant property developer and main contractor. Nevertheless, Hoi Sing Decoration and Milieu are registered under the voluntary Subcontractor Registration Scheme of the Construction Industry Council. The following table sets forth particulars of such registrations:

Registrant	Type of registration	Issuing authority	Trade code	Trade specialty	Date of expiry
Hoi Sing Decoration	Registered subcontractor	Construction Industry Council	02.02 Marble, granite and stone work	Marble/ granite work	28 October 2018
			02.05 Shutter/ doors fabrication and installation	Timber doors	
			02.05 Shutter/ doors fabrication and installation	Fire rated door	
			02.11 Renovation and fitting-out	Renovation and fitting-out	
Milieu	Registered subcontractor	Construction Industry Council	02.03 Joinery and carpentry	Wooden flooring	10 April 2019

Based on our Directors' experience, some of our customers prefer to engage or would only engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council. The Subcontractor Registration Scheme was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics. The registration and the renewal of registration for the Subcontractor Registration Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For details of the registration requirements, please refer to the section headed "Regulatory overview – F. Subcontractor registration scheme" in this document. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the Subcontractor Registration Scheme. Renewal is required every two years. We successfully renewed our aforementioned registration since the registration was first obtained.

Our HK Legal Counsel confirmed that he does not foresee any material legal impediment in the renewal of the aforesaid registration by us.

During the Track Record Period, we focused on providing fitting-out services to customers from the private sector in Hong Kong. As advised by our HK Legal Counsel, whether a contractor is eligible to undertake fitting-out projects in the public sector depends on the requirements under the main contract between the Government and the main contractor. For example, some Government contracts do not specify any specific registrations which subcontractors are required to maintain while some contracts specify that subcontractors should become registered under the Subcontractor Registration Scheme of the Construction Industry Council (for the relevant trade or specialty, if applicable) or be on the list of approved contractors or suppliers of the DEVB. As advised by our HK Legal Counsel, given that we only maintain registration under the Subcontractor Registration Scheme of the Construction Industry Council for the trade and trade specialty as set out above, we are eligible to undertake fitting-out projects in the public sector only if (i) the main contract between the Government and the main contractor does not specify any specific registrations which we are required to maintain as a subcontractor; or (ii) the main contract between the Government and the main contractor specifies that we are only required to maintain registration under the Subcontractor Registration Scheme of the Construction Industry Council for the trade and trade specialty which our Group have maintained as set out above.

OUR CUSTOMERS

Characteristics of our customers

Our customers are from the private sector and mainly include (i) property developers; (ii) contractors; and (iii) property owners. We provide our services on a project basis and we do not enter into long-term agreements with our customers. Credit period with our customers generally ranges from 21 to 30 days after issuance of our invoice. Our customers generally settle our payments by bank transfer or cheque in Hong Kong dollars. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, we had generated revenue from 24, 24, 21 and 14 customers, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our customers.

The following table sets forth a breakdown of our revenue by customer type during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Property developers*(Note 1)*	237,284	98.8	344,264	99.4	424,400	75.8	169,996	81.1
Contractors	–	–	–	–	89,281	15.9	31,882	15.2
Property owners	1,539	0.6	1,835	0.5	22,900	4.1	5,184	2.5
Others*(Note 2)*	1,326	0.6	292	0.1	23,702	4.2	2,476	1.2
Total	240,149	100.0	346,391	100.0	560,283	100.0	209,538	100.0

Note:

1. The category "Property developers" includes both property developers and their subsidiaries.

2. The category "Others" comprise transactions with Hoi Sing International which formerly engaged in retail trading of timber flooring and Customer I which engages in provision of residential care services for the elderly. For details, please refer to the paragraph headed "Our customers – Top customers" in this section.

Principal terms of engagement with our customers

The terms of our contracts vary across customers and projects. The major terms of our contracts for fitting-out services and contracts for the supply of fitting-out materials are set out in the below paragraphs.

Contracts for fitting-out services

Contract sum

The agreed contract sum varies across projects depending on the scale and complexity of the works. Depending on the contract terms, some of our customers pay us an advance payment of up to 5% of the total contract sum upon confirmation of award. For further details of our pricing strategy, please refer to the paragraph headed "Pricing strategy" in this section.

Progress payment

We submit monthly payment application to our customers with reference to progress payment summaries certified by the consultants appointed by our customers which indicate the percentage of work done and the corresponding amount payable by our customers. Credit period with our customers under our fitting-out contracts generally ranges from 21 to 30 days after we issue our invoice.

Retention money

Some of our fitting-out contracts provide that our customers shall be entitled to retain up to 10% of each progress payment, in aggregate subject to maximum retention of 5% of the total contract sum as retention money. Where there is retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. The completion date is generally agreed between us and our customers and our customers generally do not issue any formal certificate of completion. As at 31 July 2018, retention receivables held by our customers amounted to approximately HK$12.8 million.

Defects liability period

Our contracts generally provide that we offer a defects liability period of 12 to 36 months depending on the contract terms during which we are responsible for rectifying defects. The defects liability period starts to run once the completion date is agreed between us and our customers. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we received no significant complaint or claim from our customers in the relevant defects liability period of our projects and the cost incurred for remedying defective works was not material.

Variation orders

Our customers may, in the course of project execution, place orders concerning variation to part of the fitting-out services that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. Such orders seek to modify specifications, amount and scope of works stipulated in the original contracts. As a result, the final contract sum may be adjusted in accordance with the variation orders. The principal contract terms and settlement of the variation orders are generally in line with the original contract. Where the works under the variation order is the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with the bills of quantity in the original contract. If there was no equivalent or similar items under the original contract for reference, we will further agree on the rates with our customers.

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our total revenue amounted to approximately HK$240.1 million, HK$346.4 million, HK$560.3 million and HK$209.5 million, of which our revenue recognised for variation orders amounted to approximately HK$8.8 million, HK$21.1 million, HK$39.5 million and HK$28.5 million respectively.

Liquidated damages

Our fitting-out contracts generally provide that we shall compensate our customers an amount of liquidated damages per day if we fail to complete the fitting-out services on schedule. To mitigate and minimise our liability in this regard, it is usually agreed that a time extension clause to be inserted into the contract to the effect that time may be extended if project delay is caused or expected as a result of uncontrollable events such as severe weather conditions. We have not been required to pay any material liquidated damages in our projects undertaken during the Track Record Period and up to the Latest Practicable Date.

Performance bonds

During the Track Record Period, we were not required to obtain performance bonds for our projects but we may be required to do so when we obtain new contracts in the future. As at the Latest Practicable Date, we had been awarded two contracts (i.e. Project 25 and Project 47 under the table of projects on hand set out in the paragraph headed "Our projects undertaken during the Track Record Period – Projects on hand" in this section) at an original contract sum of approximately HK$15.8 million and HK$10.3 million, respectively, under which we were contractually required to obtain performance bonds from a bank in order to secure our due and timely performance. The performance bonds will be taken out upon further instruction from our customers. The amount of performance bonds to be obtained would amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of performance bonds to be obtained for the projects and there would be no off-balance sheet arrangement in relation to the performance bonds.

Contracts for the supply of fitting-out materials

The agreed contract sum of contracts for the supply of fitting-out materials depends on the quantities and dimensions of the timber products supplied under the contracts. Some of our contracts provide that a 30% deposit shall be paid by our customer, 69% of the contract sum be paid after delivery and 1% of the contract sum shall be retained for a period of 12 months after delivery. Credit period granted to our customer under these contracts is generally 30 days.

Top customers

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our largest customer accounted for 67.7%, 65.9%, 65.4% and 65.1% of our total revenue, respectively, while our five largest customers in aggregate accounted for 99.2%, 99.6%, 97.0% and 94.4% of our total revenue, respectively. To the best of our Directors' knowledge, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest customers during the Track Record Period.

The following tables set forth details of our five largest customers for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018:

FY2015/16

Rank	Customer	Customer type	Service provided by our Group	Business relationship since	Typical credit terms and payment method	Revenue	% of total revenue
						HK$'000	
1	Customer A*(Note 1)*	Property developer	Fitting-out services	2005	30 days; Bank transfer	162,677	67.7
2	Customer B*(Note 2)*	Property developer	Fitting-out services	2012	21 to 30 days; Cheque	64,960	27.1
3	Customer C*(Note 3)*	Property developer	Fitting-out services	2013	30 days; Cheque	8,972	3.7
4	Hoi Sing International*(Note 4)*	Other	Supply of fitting-out materials	2015	30 days; Cheque	926	0.4
5	Customer E*(Note 5)*	Property developer	Fitting-out services	2014	30 days; Cheque	675	0.3
					Five largest customers combined	238,210	99.2
					All other customers	1,939	0.8
					Total revenue	240,149	100.0

FY2016/17

Rank	Customer	Customer type	Service provided by our Group	Business relationship since	Typical credit terms and payment method	Revenue	% of total revenue
						HK$'000	
1	Customer A(Note 1)	Property developer	Fitting-out services	2005	30 days; Bank transfer	228,119	65.9
2	Customer B(Note 2)	Property developer	Fitting-out services	2012	21 to 30 days; Cheque	112,757	32.5
3	Customer C(Note 3)	Property developer	Fitting-out services	2013	30 days; Cheque	3,388	1.0
4	Customer F(Note 6)	Property owner	Fitting-out services	2016	30 days; Cheque	352	0.1
5	Hoi Sing International(Note 4)	Other	Supply of fitting-out materials	2015	30 days; Cheque	261	0.1
					Five largest customers combined	344,877	99.6
					All other customers	1,514	0.4
					Total revenue	346,391	100.0

FY2017/18

Rank	Customer	Customer type	Service provided by our Group	Business relationship since	Typical credit terms and payment method	Revenue	% of total revenue
						HK$'000	
1	Customer A*(Note 1)*	Property developer	Fitting-out services	2005	30 days; Bank transfer	366,322	65.4
2	Customer H*(Note 7)*	Contractor	Fitting-out services	2017	30 days; Bank transfer	83,202	14.8
3	Customer B*(Note 2)*	Property developer	Fitting-out services	2012	21 to 30 days; Cheque	55,878	10.0
4	Customer I*(Note 8)*	Other	Fitting-out services	2017	30 days; Cheque	23,702	4.2
5	Customer J*(Note 9)*	Property owner	Fitting-out services	2017	30 days; Cheque	14,398	2.6
					Five largest customers combined	543,502	97.0
					All other customers	16,781	3.0
					Total revenue	560,283	100.0

Four months ended 31 July 2018

Rank	Customer	Customer type	Service by our Group	Business relationship since	Typical credit terms and payment method	Revenue	% of total revenue
						HK$'000	
1.	Customer A *(Note 1)*	Property developer	Fitting-out services	2005	30 days; Bank transfer	136,372	65.1
2.	Customer H *(Note 7)*	Contractor	Fitting-out services	2017	30 days; Bank transfer	22,518	10.7
3.	Customer B *(Note 2)*	Property developer	Fitting-out services	2012	21 to 30 days; Cheque	19,956	9.5
4.	Customer C *(Note 3)*	Property developer	Fitting-out services	2013	30 days; Cheque	11,303	5.4
5.	Customer K *(Note 10)*	Contractor	Supply of fitting-out materials	2017	30 days; Bank transfer	7,798	3.7
					Five largest customers combined	197,947	94.4
					All other customers	11,591	5.6
					Total revenue	209,538	100.0

Notes:

1. Customer A include subsidiary(ies)/related company(ies) of a company listed on the Stock Exchange, the principal activities of which include development of and investment in properties. According to information publicly available, the holding company of Customer A has a market capitalisation of over HK$327 billion as at the Latest Practicable Date and recorded revenue and profit for the year of over HK$85 billion and over HK$50 billion for the year ended 30 June 2018, respectively.

2. Customer B include subsidiary(ies)/related company(ies) of a company listed on the Stock Exchange, the principal activities of which include development of and investment in properties. According to information publicly available, the holding company of Customer B has a market capitalisation of over HK$109 billion as at the Latest Practicable Date and recorded revenue and profit for the year of over HK$60 billion and over HK$30 billion for the year ended 30 June 2018, respectively.

3. Customer C is a subsidiary of a company listed on the Stock Exchange, the principal activities of which include development of and investment in properties. According to information publicly available, the holding company of Customer C has a market capitalisation of over HK$176 billion as at the Latest Practicable Date and recorded revenue and profit for the year of over HK$20 billion and over HK$30 billion for the year ended 31 December 2017, respectively.

4. Hoi Sing International is a related party of our Group. For details of our transactions with Hoi Sing International, please refer to the section headed "Financial information – Related party transactions".

5. Customer E is a subsidiary of a company listed on the Stock Exchange, with principal activities in the property, transportation, hospitality and investment sectors. According to information publicly available, the holding company of Customer E has a market capitalisation of over HK$7 billion as at the Latest Practicable Date and recorded revenue and profit for the year of over HK$6 billion and over HK$1 billion for the year ended 31 December 2017, respectively.

6. Customer F is an individual customer who engaged us for providing fitting-out services for a residential home.

7. Customer H is a private company in Hong Kong which engages in provision of interior design and fitting-out services. According to information publicly available, Customer H has a total paid up capital of HK$300,000 as at 25 March 2018.

8. Customer I is a private company in Hong Kong which engages in provision of residential care services for the elderly. According to information publicly available, Customer I has a total paid up capital of HK$15.0 million as at 30 September 2017.

9. Customer J is an individual customer who engaged us for providing fitting-out services for a residential home.

10. Customer K is a subsidiary of a company listed on the London Stock Exchange with secondary listings in Bermuda and Singapore, the principal activities of which include, among other things, property investment and development. According to information publicly available, the holding company of Customer K has a market capitalisation of over US$44 billion as at 31 December 2017 on the London Stock Exchange and recorded revenue and profit for the year of over US$39 billion and over US$3 billion for the year ended 31 December 2017, respectively.

Customer concentration

Our Directors are of the view that based on the Ipsos Report, customer concentration within the fitting-out industry is not uncommon and that our business is sustainable despite our customer concentration during the Track Record Period for the following reasons:

A small number of projects can contribute to a substantial amount of our revenue

During the Track Record Period, revenue generated from Customer A, our largest customer amounted to approximately HK$162.7 million, HK$228.1 million, HK$366.3 million and HK$136.4 million, representing approximately 67.7%, 65.9%, 65.4% and 65.1% of our revenue for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. Such revenue was attributable to 45 fitting-out projects from Customer A during the Track Record Period. As such, it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue.

Sizeable fitting-out projects are concentrated among top 10 property developers in Hong Kong

Three of our major customers during the Track Record Period are subsidiaries of reputable local property developers in Hong Kong. According to the Ipsos Report, the respective holding companies of Customer A, Customer B and Customer C are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017. According to the Ipsos Report, sizeable fitting-out projects with large contract sums are concentrated among the top 10 property developers in Hong Kong. Hence, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution to us.

Serving a small number of customers enhances our efficiency and service quality

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, we had generated revenue from 24, 24, 21 and 14 customers, respectively. A single project from a customer may have a relatively large contract sum, in particular contracts awarded by Customer A, Customer B and Customer C, each being one of our top five customers during the Track Record Period and subsidiaries of the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017. Our Directors believe revenue generated from a limited number of customers as set out above is justifiable on the bases that (i) for the same amount of financial resources and manpower we can make available, it may not be practicable to deploy our resources in serving a large number of customers that offer fitting-out projects with relatively smaller contract sums when we can focus on serving subsidiaries of reputable local property developers in Hong Kong that can award sizeable fitting-out projects with large contract sums, thereby brushing up our job references and enhancing our corporate profile; (ii) for the same amount of potential revenue that can be generated, we believe that focusing on serving a small number of customers under sizeable fitting-out projects with large contract sums as opposed to a large number of customers under a large number of fitting-out projects with small contract sums allows us to efficiently manage our manpower given that the number of projects that our in-house team is required to handle simultaneously is smaller and therefore we do not have to employ additional project management staff to station at a large number of different project sites; (iii) quality of our services can be improved as our project management staff can practice more stringent quality control and focus on managing our subcontractors at a single project site and do not have to travel across multiple project sites when they are managing a number of projects at the same time; and (iv) our efficiency can be improved as our staff can easily acquaint themselves with the requirements of our customers through adapting and responding to requests from a smaller number of customers.

Revenue concentration among our major customers was a result of careful selection of our projects from quality customers

We are an active player in the fitting-out industry. During the Track Record Period, we experienced a strong demand for our services from a range of customers including tender invitations from our three largest customers, as evidenced by the number of invitations for tenders/quotations that we received. During the Track Record Period, we received over 580 invitations for tenders/quotations and we submitted tenders for approximately 54% of these invitations. Our Directors believe that our top five customers, in particular Customer A, Customer B and Customer C, whose respective holding companies are among the top 10 property developers in Hong Kong, are quality customers in terms of the reputation they possess, project size they offer and credibility based on our historical business relationship with them. Among the over 580 tender/quotation invitations we received during the Track Record Period, approximately 16.7% of the invitations were not from Customer A, Customer B and Customer C. As such, revenue concentration among our major customers during the Track Record Period was attributable to the fact that we were inclined to undertake projects from our top five customers whom we believe are quality customers based on our experience working with them. Based on our established operating history working for reputable local property developers in Hong Kong, we are of the view that our skills and experience in the fitting-out industry are transferable and can be applied to serving other customers. Our Directors are of the view that our active participation in our potential customers' tendering process may reinforce our presence in the industry. As we strive to maintain a good balance of the factors we consider under our pricing strategy as more detailed in the paragraph headed "Our customer – Pricing strategy" in this section when considering whether to submit a tender or reply to a quotation for a potential project, including in particular, (a) the size of the project; (b) reputation of the potential customer; (c) our past working relationship with the potential customer; and (d) the financial strength and repayment record of the potential customer, revenue concentration among our major customers during the Track Record Period reflects the result of careful selection of our projects from quality customers. Our Directors believe that in the event that project engagement with any of our major customers is substantially reduced, our Group would have the capacity to handle projects from other customers in view of the expected growth of demand for fitting-out services in Hong Kong according to the Ipsos Report.

Downward trend on reliance on our major customers

We have demonstrated a downward trend on reliance on our major customers and at the same time achieved business growth during the Track Record Period as we have taken steps to expand our customer base. Revenue contributed by our top five customers experienced slight drop from 99.6% for FY2016/17 to 97.0% for FY2017/18 amid our strong growth in total revenue from HK$346.4 million to HK$560.3 million during the same period. Revenue contributed by Customer A experienced a downward trend from 67.7% for FY2015/16 to 65.9% for FY2016/17 and to 65.4% for FY2017/18. Further, our revenue contribution from Customer B decreased from approximately 32.5% for FY2016/17 to 10.0% in FY2017/18. In addition, we were able to establish our initial business relationship with Customer H and Customer I in FY2017/18, who both became our top five customers during the same period. For FY2017/18, we experienced a significant growth in revenue attributable to new customers. For FY2015/16, FY2016/17 and FY2017/18, revenue attributable to new customers amounted to approximately HK$1.1 million, HK$0.6 million and HK$135.3 million, respectively. Our business relationship with major customers, industry experience and proven track record are essential to our major customers to ensure that we are capable of completing their projects on time and in accordance with their requirements. With our presence in the fitting-out industry, our Directors believe that we are able to extend our services to other customers.

We plan to diversify our customer base

Our business relationship with Customer A has since 2005 been established. During the Track Record Period, success rate of our tenders/quotations submitted to Customer A was approximately 16.8% which was below our overall tender/quotation success rate standing at 28.3%, 27.0% and 38.3% for FY2015/16, FY2016/17 and FY2017/18, respectively, and only slightly higher than our overall tender/quotation success rate standing at 13.3% for the four months ended 31 July 2018, respectively. Our Directors believe that this was because we had to remain active in the tender/quotation processes of Customer A in order to maintain our business relationship with it. We therefore actively submitted and responded to tender/quotation invitations from Customer A. As we may not be able to take up all potential projects from Customer A limited by our available resources, we believe our pricing was more aggressive in some of the tenders/quotations thereby lowering our success rate of our tenders/quotations submitted to Customer A as compared to our overall tender/quotation success rate.

Going forward, we will continue to maintain our established business relationship with Customer A given the potential sizeable fitting-out projects that Customer A can offer being subsidiaries of a top 10 property developer in Hong Kong which coincide with our business strategy in expanding our market share through undertaking more sizeable fitting-out projects from both existing and new customers. With the **[REDACTED]** from the **[REDACTED]**, we will be able to expand our market share and at the same time reduce our reliance on Customer A given that the **[REDACTED]** will be able to fulfill our funding need as discussed in the section headed "Future plans and **[REDACTED]** – Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business" in this document. While we have demonstrated a downward trend in reliance on our major customers and at the same time achieved business growth during the Track Record Period through for example, establishing our initial business relationship with Customer H and Customer I in FY2017/18, our Directors believe that our expansion plan will soon come to a bottleneck where our cash flow will not be able to support the upfront costs, and where applicable, performance bond under our projects due to the reasons discussed in the section headed "Future plans and **[REDACTED]** – Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business" in this document. Therefore, our Directors believe that each of our business strategies to expand our business, our plan to diversify our customer base and raising funds from the **[REDACTED]** go hand in hand with one another. As part of our plan to diversify our customer base, as at the Latest

Practicable Date, we had submitted tenders to new customers. Our Directors believe that our reliance on our major customers will continue to decline in the future in light of the implementation of our future plans with **[REDACTED]** from the **[REDACTED]**. For particulars of our potential projects as at the Latest Practicable Date, please refer to the section headed "Future plans and **[REDACTED]** – **[REDACTED]**" in this document. Our management will continue to capture emerging business opportunities and focus on projects on a selective and prudent basis which are profitable and sizeable in nature to maximise benefits to our Group as a whole.

Customers who were also our suppliers

Contra-charge arrangements with our customers

During the course of our business, there may be occasions where our customers pay on our behalf for fitting-out materials used under our projects and subsequently deduct such payments when settling our project payments. Such arrangements are commonly known as "contra-charge arrangement" and the amounts involved are known as "contra-charge". According to the Ipsos Report, contra-charge arrangements are common in the industry.

During the Track Record Period, we had contra-charge arrangements with some of our customers. In this context, we regard such customers as our suppliers as well. Such contra-charge generally included purchase cost of fitting-out materials used under our fitting-out projects. Upon our request, or at the discretion of our customers, our customers may purchase fitting-out materials on our behalf, and such amounts are subsequently settled under contra-charge arrangements. Effectively, the payments due to us from our customers under our projects will be settled after netting off such contra-charge amounts. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our contra-charge incurred amounted to approximately HK$0.4 million, HK$1.1 million, HK$52.4 million and HK$0.5 million, representing approximately 0.2%, 0.4%, 10.5% and 0.3% of our total direct costs for the same period, respectively.

During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra-charge arrangements and the contra-charge amounts involved. In addition, as we settled the contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of fitting-out materials were reduced by the same amount. Therefore, the contra-charge arrangements had no material impact on our cash flow positions during the Track Record Period.

The following table sets forth the particulars of the material contra-charge arrangements we had with our top customers during the Track Record Period:

	FY2015/16		**FY2016/17**		**FY2017/18**		**Four months ended 31 July 2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Customer A								
Revenue derived and percentage of our total revenue	162,677	67.7	228,119	65.9	366,322	65.4	136,372	65.1
Contra-charge amounts and percentage of our total direct costs	407	0.2	842	0.3	847	0.2	234	0.3
Customer B								
Revenue derived and percentage of our total revenue	64,960	27.1	112,757	32.5	55,878	10.0	19,956	9.5
Contra-charge amounts and percentage of our total direct costs	26	0.0	262	0.1	793	0.2	35	0.0
Customer H								
Revenue derived and percentage of our total revenue	–*(Note 1)*	–*(Note 1)*	–*(Note 1)*	–*(Note 1)*	83,202	14.8	–*(Note 1)*	–*(Note 1)*
Contra-charge amounts and percentage of our total direct costs	–*(Note 1)*	–*(Note 1)*	–*(Note 1)*	–*(Note 1)*	50,779*(Note 2)*	10.2	–*(Note 1)*	–*(Note 1)*

Notes:

1. We did not have contra-charge arrangements with Customer H for year or period indicated.

2. Customer H was one of our top customers and one of our top suppliers during the Track Record Period. Customer H engaged us as a subcontractor for providing fitting-out services for a new residential property under one project at a total contract sum of HK$120.0 million. For FY2017/18, revenue attributable to Customer H was approximately HK$83.2 million while our purchases from Customer H was approximately HK$50.8 million. The amount of purchases from Customer H was the result of payments made by Customer H on our behalf for (i) marble works performed by other subcontractors designated and engaged by Customer H; and (ii) fitting-out materials sourced by Customer H directly. We believe Customer H engaged those subcontractors directly as those subcontractors had previous business relationship with Customer H and were able to offer a more competitive price for performing the marble works. Nevertheless, we maintained the overall project management and implementation under the project. As the payments made by Customer H on our behalf under such project was substantial, Customer H became one of our major suppliers for FY2017/18.

Collection of trade receivables and retention receivables

We are exposed to risks in relation to collection of progress payments and retention money. For details of our credit risk in this connection, please refer to the section headed "Risk factors – If we are unable to receive progress payments on time and in full, or that retention money is not fully released to us after expiry of the defects liability period, our liquidity and financial position may be materially and adversely affected" in this document.

In order to minimise such credit risk and our financial loss, most of our customers are required to settle payment within 30 days after issuance of our invoice. We would monitor and evaluate overdue payments on a case-by-case basis and consider appropriate follow-up actions such as reissuing invoices.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the aggregate amounts of trade and retention receivables amounted to approximately HK$24.4 million, HK$37.0 million, HK$26.5 million and HK$48.6 million, respectively. Please also refer to the section "Financial information – Discussion on selected statement of financial position items – Trade and other receivables" for a further discussion and analysis on our trade receivables and retention receivables and our trade receivables turnover days during the Track Record Period in this document.

Sales and marketing

We do not maintain a sales and marketing team. During the Track Record Period, we secured new businesses mainly through direct invitation for tendering by customers, which is considered by our Directors to be attributable to our proven track record and presence in the fitting-out industry.

Our Directors are of the view that tender/quotation invitations from potential customers within the private sector are largely based on reputation and proven track record of a contractor in the industry. We therefore do not actively promote ourselves through formal sales and marketing activities.

Our executive Directors and senior management actively explore new business opportunities by identifying any new projects in Hong Kong through social discussion with other market participants. We also maintain stable business relationships and timely communication with our customers and the architect and consultants in the construction industry so as to keep abreast of market trend and potential business opportunities.

Pricing strategy

We adopt a cost-plus pricing model in order to determine our tender/quotation price. We take into account several factors such as (i) the cost; (ii) our overheads; (iii) the size of the project; (iv) our capacity; (v) our liquidity; (vi) our past working relationship with the potential customer; (vii) the reputation of the potential customer; and (viii) the financial strength and repayment record of the potential customer. We would then calculate the final cost estimation and price the bills of quantity.

In order to mitigate our exposure to risk of inaccurate estimation and cost overrun, the pricing of our projects is overseen by our executive Directors, whose background and experience are set out in the section headed "Directors, senior management and employees" in this document. Our Directors confirm that during the Track Record Period, we did not experience any material loss-making contracts.

Seasonality

Our Directors are of the view that our Group's business operation is not subject to any significant seasonality.

OUR SUPPLIERS

Characteristics of our suppliers

Suppliers of goods and services which are specific to our business and are required on a regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors who generally provide installation or other technical services such as plaster, ceiling, glass and metal works as well as installation of timber flooring, kitchen cabinetries and timber doors; (ii) suppliers of materials required for performing our fitting-out services such as finished furniture products, timber products, glass and metal; and (iii) suppliers of other miscellaneous services such as rental of machinery and equipment (which mainly include scaffold for use at our fitting-out worksites), transportation services and consultancy services (which mainly include outsourced safety consultancy services). While our subcontractors may during the course of performing their services supply certain materials, our material suppliers do not provide any installation or technical services and only supply materials directly sourced by us.

As at the Latest Practicable Date, we had over 140 suppliers and subcontractors on our internal approved suppliers and subcontractors list. Both potential and approved suppliers are shortlisted and reviewed from time to time with reference to certain criteria including, among other things, (i) price; (ii) product quality; (iii) punctuality in delivery; and (iv) past business relationship. We generally maintain multiple materials suppliers to avoid over-relying on a single or certain suppliers. When we place purchase orders for materials, unless our customers require us to source from specific suppliers, we select suppliers from our approved list based on factors such as the specific project requirements and the price quotation. When we receive tender documents or quotation invitations from our potential customers, we will seek preliminary quotations from our selected suppliers and, once being awarded the project, we will confirm the final price of materials with our suppliers. We engage our materials suppliers in the form of quotations and we do not enter into any long-term supply agreements with our suppliers.

Credit period with our suppliers generally ranges from 0 to 30 days from the date invoice is issued. We generally settle the payables to our suppliers by cheque and bank transfer in Hong Kong dollars. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material shortage or delay in our supplier's delivery of materials which would significantly disrupt our works.

The following table sets forth a breakdown of our total purchases by type during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting charges	134,512	65.1	203,076	70.6	276,886	58.7	121,378	69.3
Direct materials	69,263	33.5	82,561	28.7	192,740	40.8	53,239	30.4
Rental of machinery and equipment	954	0.5	45	0.0	55	0.0	–	–
Other direct costs	1,859	0.9	2,071	0.7	2,224	0.5	465	0.3
Total purchases	206,588	100.0	287,753	100.0	471,905	100.0	175,082	100.0

Please refer to the section headed "Financial information" in this document for a discussion of the fluctuation in our purchases from our suppliers during the Track Record Period as shown in the above table as well as the relevant sensitivity analyses in this connection.

Top suppliers

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our largest supplier accounted for 9.8%, 13.8%, 10.3% and 8.6% of our total purchases, respectively, while our five largest suppliers in aggregate accounted for 24.8%, 22.2%, 31.3% and 24.7% of our total purchases, respectively. To the best of our Directors' knowledge, save as disclosed in note 1 below, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period.

The following tables set forth the breakdown of our five largest suppliers in FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018:

FY2015/16

Rank	Supplier	Materials supplied	Business relationship since	Typical credit terms and payment method	Purchases	% of total purchases
					HK$'000	
1	Haicheng Huizhou *(Note 1)*	Supply of finished furniture products and timber products	2015	30 days; Bank transfer	20,274	9.8
2	Supplier B *(Note 2)*	Supply of finished furniture products and metal	2015	30 days; Bank transfer, Cheque	18,973	9.2
3	Supplier C *(Note 3)*	Supply of glass	2011	30 days; Bank transfer, Cheque	4,593	2.2
4	Supplier D *(Note 4)*	Supply of timber products	2015	30 days; Bank transfer	4,431	2.2
5	Supplier E *(Note 5)*	Supply of timber products	2014	30 days; Cheque	2,863	1.4
				Five largest suppliers combined	51,134	24.8
				All other suppliers and subcontractors	155,454	75.2
				Total purchases	206,588	100.0

FY2016/17

Rank	Supplier	Materials supplied	Business relationship since	Typical credit terms and payment method	Purchases	% of total purchases
					HK$'000	
1	Haicheng Huizhou *(Note 1)*	Supply of finished furniture products and timber products	2015	30 days; Bank transfer	39,744	13.8
2	Supplier B *(Note 2)*	Supply of finished furniture products and metal	2015	30 days; Bank transfer, Cheque	12,225	4.3
3	Supplier E *(Note 5)*	Supply of timber products	2014	30 days; Cheque	6,639	2.3
4	Supplier F *(Note 6)*	Supply of timber products and metal	2016	From 2 days to 30 days; Bank transfer	2,891	1.0
5	Supplier G *(Note 7)*	Supply of accessories for timber products	2015	30 days; Cheque	2,315	0.8
				Five largest suppliers combined	63,814	22.2
				All other suppliers and subcontractors	223,939	77.8
				Total purchases	287,753	100.0

FY2017/18

Rank	Supplier	Materials supplied	Business relationship since	Typical credit terms and payment method	Purchases	% of total purchases
					HK$'000	
1	Customer H *(Note 8)*	Contra-charge amounts for fitting-out materials paid on our behalf	2017	–	48,776	10.3
2	Supplier B *(Note 2)*	Supply of finished furniture products and metal	2015	30 days; Bank transfer, Cheque	43,065	9.1
3	Supplier H *(Note 9)*	Supply of timber products	2017	30 days; Bank transfer, Cheque	23,468	5.0
4	Great Gold Development *(Note 10)*	Supply of timber products	2017	30 days; Cheque	21,435	4.6
5	Supplier J *(Note 11)*	Supply of glass	2014	30 days; Cheque	10,782	2.3
				Five largest suppliers combined	147,526	31.3
				All other suppliers and subcontractors	324,379	68.7
				Total purchases	471,905	100.0

Four months ended 31 July 2018

Rank	Supplier	Materials supplied	Business relationship since	Typical credit terms and payment method	Purchases *HK$'000*	% of total purchases
1.	Supplier B *(Note 2)*	Supply of finished furniture and metal products	2015	30 days; Bank transfer, Cheque	15,138	8.6
2.	Great Gold Development *(Note 10)*	Supply of timber products	2017	30 days; Cheque	11,901	6.8
3.	Supplier E *(Note 5)*	Supply of timber products	2014	30 days; Cheque	7,500	4.3
4.	Supplier J *(Note 11)*	Supply of glass	2014	30 days; Cheque	5,802	3.3
5.	Supplier H *(Note 9)*	Supply of timber products	2017	30 days; Bank transfer, Cheque	2,972	1.7
				Five largest suppliers combined	43,313	24.7
				All other suppliers and subcontractors	131,769	75.3
				Total purchases	175,082	100.0

Notes:

1. Haicheng Huizhou is a related party of our Group. For details of our transactions with Haicheng Huizhou, please refer to the section headed "Financial information – Related party transactions" in this document.

2. Supplier B are private companies in the PRC, the principal activities of which include supply of finished furniture products and metal.

3. Supplier C is a private company in Hong Kong, the principal activities of which include supply of glass.

4. Supplier D is a private company in Hong Kong, the principal activities of which include supply of timber products and provision of timber works. Supplier D is one of our top five suppliers and top five subcontractors during the Track Record Period.

5. Supplier E is a private company in the PRC, the principal activities of which include supply of timber products. The business of Supplier E was formerly conducted through a factory established in the PRC which was subsequently dissolved and transformed into Supplier E, being a limited liability company established the PRC in July 2018.

6. Supplier F is a private company in Hong Kong, the principal activities of which include supply of timber products and metal.

7. Supplier G is a private company in Hong Kong, the principal activities of which include supply of accessories for timber products.

8. Customer H is one of our top five customers and one of our top five suppliers during the Track Record Period. For details, please refer to the paragraph headed "Our customers – Customers who were also our suppliers" in this section.

9. Supplier H is a private company in Hong Kong, the principal activities of which include supply of timber products.

10. Great Gold Development is the holding company of Haicheng Huizhou (with details in note 1 above). Great Gold Development was previously owned by Mr. Man and Mrs. Man. Their entire interests had been disposed to an independent third party in March 2017. Since then, Great Gold Development and Haicheng Huizhou became independent third party to our Group.

11. Supplier J is a private company in Hong Kong, the principal activities of which include supply of glass and provision of glass works.

Supplier B

Supplier B comprises three independent private companies in the PRC (namely Supplier B1, Supplier B2 and Supplier B3), one of which (Supplier B1) adopts a similar Chinese name to Milieu (one of our subsidiaries) in that it adopts the term "美耐雅" in its company name. Our Directors were aware that Supplier B was adopting a company name that is similar to Milieu since our Group first established business relationship with it in 2015. Our Directors believe that Supplier B chose to adopt a similar name in a hope to explore more business opportunities from developing business relationship with fitting-out contractors in Hong Kong given our Group's presence in the fitting-out market in Hong Kong. In any event, our Directors believe that (i) our Group's reputation in the fitting-out market is not based on adopting the term "美耐雅"; (ii) our Group has no presence in the PRC furniture market and the business of our Group and Supplier B is geographically delineated; and (iii) the business that Supplier B is undertaking is not competing with our Group's business whether directly or indirectly and the target customers of our Group and Supplier B are totally different. Given the above, our Directors are of the view that the use of a similar company name by one of our Group's major suppliers has no material impact on our business and operation. Our Directors confirm that there were no disputes between our Group and Supplier B as to the use of a similar company name since they first became aware of such matter.

Supplier B1 is a limited liability company established in the PRC on 16 July 2015 and was owned by an independent natural person ("**Mr. Li**") and his spouse ("**Mrs. Li**") as to 80% and 20%, respectively since establishment. Mr. Li has been the legal representative, executive director and general manager while Mrs. Li has been the supervisor of Supplier B1 since its establishment. Supplier B1 principally engages in supply of furniture.

Supplier B2 is a limited liability company established in the PRC on 21 August 2014 and was owned by Mr. Li and his cousin as to 50% and 50%, respectively at the time of establishment. Since March 2018, Supplier B2 became owned by Mr. Li's cousin, Mr. Li and two other independent natural persons as to 60%, 10%, 20% and 10%, respectively. Mr. Li's cousin has been the legal representative, executive director and manager while Mr. Li has been the supervisor of Supplier B2 since its establishment. Supplier B2 principally engages in supply of furniture.

Supplier B3 is a limited liability company established in the PRC on 21 August 2014 and was wholly-owned by Mrs. Li since its establishment. Mrs. Li has been the legal representative, executive director and general manager while Mr. Li has been the supervisor of Supplier B3 since its establishment. Supplier B3 principally engages in supply of furniture.

Mr. Li was hired as factory manager of Haicheng Huizhou from 2009 to 2014. To the best of the knowledge of Mr. Man, having gained experience in the furniture supply industry in the PRC, Mr. Li subsequently established Supplier B to develop his own furniture supply business with Mrs. Li and his cousin. Given Mr. Man and Mr. Li's previous business relationship and quality of products supplied, Supplier B became one of our top five suppliers during the Track Record Period. Our Directors confirmed that our transactions with Supplier B were conducted on an arm's length basis and would not distort our results during the Track Record Period, as supported by the fact that the fees charged by Supplier B were comparable and within the range of fees charged by other independent suppliers engaged by our Group for similar purchases.

To the best of our Directors' knowledge, save as disclosed above, there are no other past or present relationships, business or otherwise, between our Group, Supplier B, Haicheng Huizhou, their subsidiaries, directors, senior management, shareholders or any of their respective associates.

Subcontracting arrangement

We pride ourselves in our project management capability and we strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. Our Directors believe that it is not uncommon in the market for fitting-out contractors to engage subcontractors to perform all on-site labour intensive or skilled works as it allows for a low fixed cost overhead and allows us to more effectively manage our projects by making use of others' established expertise and skill-set on a project basis. Our project management capability and ability to strategically subcontract works to subcontractors are evidenced through the fact that we maintain quality of our works through selecting subcontractors whom we are familiar with and that best suits the project in our opinion. We evaluate our subcontractors taking into account their quality of services, skills and technique, credit-worthiness, pricing, availability of resources in accommodating delivery requirement as well as their reputation and track records. We generally only engage subcontractors on our approved list of subcontractors based on the nature and complexity of each project and the availability of our resources at the time and such list is updated on an ongoing basis. Customer satisfaction in our services is further evidenced through the fact that during the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint or request for any kind of material compensation from our customers due to quality nor had we been required to pay any material liquidated damages in our projects undertaken during the same period.

As at the Latest Practicable Date, we had over 50 subcontractors on our internal approved subcontractors list. Both potential and approved subcontractors are shortlisted and reviewed from time to time with reference to certain criteria including, among other things, (i) price; (ii) work quality; (iii) the reputation of the subcontractor; (iv) adherence to timetable; and (v) past business relationship. We generally maintain multiple subcontractors for our projects to avoid over-relying on a single or certain subcontractors. Our customers generally do not contractually restrict us in selecting our subcontractors. We select subcontractors from our approved list based on factors such as the specific project requirements and the price quotation. We engage our subcontractors in the form of quotations and we do not enter into any long-term subcontracting agreements with our subcontractors.

We are responsible to our customers for the performance of our subcontractors. We may also be liable to any potential employees' compensation claims and personal injuries claims from the employees of our subcontractors. Therefore, when a project is in the stage of implementation, our project managers will closely supervise the progress and quality of works undertaken by our subcontractors. Furthermore, our safety officers and/or safety supervisors will ensure that our subcontractors comply with all applicable safety requirements.

Top Subcontractors

For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our subcontracting charges amounted to HK$134.5 million, HK$203.1 million, HK$276.9 million and HK$121.4 million, respectively, representing 65.1%, 70.6%, 58.7% and 69.3% of our total purchases in the same period. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our largest subcontractor accounted for 16.7%, 14.2%, 12.7% and 10.4% of our total purchases, respectively, while our five largest subcontractors in aggregate accounted for 45.0%, 53.9%, 32.4% and 36.1% of our total purchases, respectively. To the best of our Directors' knowledge, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest subcontractors during the Track Record Period.

FY2015/16

Rank	Subcontractor	Subcontracted services	Business relationship since	Typical credit terms and payment method	Subcontracting charges	% of total purchases
					HK$'000	
1	Subcontractor A(Note 1)	Subcontracting of ceiling and painting works	2009	30 days; Bank transfer, Cheque	34,407	16.7
2	Subcontractor B(Note 2)	Subcontracting of fitting-out services	2015	30 days; Cheque	20,500	9.9
3	Supplier D(Note 3)	Subcontracting of timber works	2015	30 days; Bank transfer	15,186	7.4
4	Subcontractor D(Note 4)	Subcontracting of glass works	2014	30 days; Bank transfer, Cheque	13,424	6.5
5	Subcontractor E(Note 5)	Subcontracting of metal works	2010	30 days; Cheque	9,348	4.5
				Five largest subcontractors combined	92,865	45.0
				All other suppliers and subcontractors	113,723	55.0
				Total purchases	206,588	100.0

FY2016/17

Rank	Subcontractor	Subcontracted services	Business relationship since	Typical credit terms and payment method	Subcontracting charges	% of total purchases
					HK$'000	
1	Subcontractor B*(Note 2)*	Subcontracting of fitting-out services	2015	30 days; Cheque	40,956	14.2
2	Supplier D*(Note 3)*	Subcontracting of timber works	2015	30 days; Bank transfer	35,087	12.2
3	Subcontractor A*(Note 1)*	Subcontracting of ceiling and painting works	2009	30 days; Bank transfer, Cheque	35,087	12.2
4	Subcontractor D*(Note 4)*	Subcontracting of glass works	2014	30 days; Bank transfer, Cheque	22,599	7.9
5	Subcontractor F*(Note 6)*	Subcontracting of fitting-out services	2016	30 days; Cheque	21,427	7.4
				Five largest subcontractors combined	155,156	53.9
				All other suppliers and subcontractors	132,597	46.1
				Total purchases	287,753	100.0

FY2017/18

Rank	Subcontractor	Subcontracted services	Business relationship since	Typical credit terms and payment method	Subcontracting charges	% of total purchases
					HK$'000	
1	Subcontractor A*(Note 1)*	Subcontracting of ceiling and painting works	2009	30 days; Bank transfer, Cheque	60,156	12.7
2	Subcontractor G*(Note 7)*	Subcontracting of fitting-out services	2013	30 days; Bank transfer, Cheque	26,486	5.6
3	Supplier D*(Note 3)*	Subcontracting of timber works	2015	30 days; Bank transfer	24,876	5.3
4	Subcontractor D*(Note 4)*	Subcontracting of glass works	2014	30 days; Bank transfer, Cheque	22,732	4.8
5	Subcontractor H*(Note 8)*	Subcontracting of fitting-out services	2017	30 days; Cheque	18,839	4.0
				Five largest subcontractors combined	153,089	32.4
				All other suppliers and subcontractors	318,816	67.6
				Total purchases	471,905	100.0

Four months ended 31 July 2018

Rank	Subcontractor	Subcontracted services	Business relationship since	Typical credit terms and payment method	Subcontracting charges	% of total purchases
					HK$'000	
1.	Subcontractor A *(Note 1)*	Subcontracting of ceiling and painting works	2009	30 days; Bank transfer, Cheque	18,128	10.4
2.	Subcontractor D *(Note 4)*	Subcontracting of glass works	2014	30 days; Bank transfer, Cheque	13,792	7.9
3.	Subcontractor H *(Note 8)*	Subcontracting of fitting-out services	2017	30 days; Cheque	11,700	6.7
4.	Subcontractor G *(Note 7)*	Subcontracting of fitting-out services	2013	30 days; Bank transfer, Cheque	11,375	6.5
5.	Supplier D *(Note 3)*	Subcontracting of timber works	2015	30 days; Bank transfer	8,009	4.6
				Five largest subcontractors combined	63,004	36.1
				All other suppliers and subcontractors	112,078	63.9
				Total purchases	175,082	100.0

Notes:

1. Subcontractor A is a private company in Hong Kong, the principal activities of which include provision of ceiling and painting works.

2. Subcontractor B is a private company in Hong Kong, the principal activities of which include provision of fitting-out services.

3. Supplier D is a private company in Hong Kong, the principal activities of which include supply of timber products and provision of timber works. Supplier D is one of our top five suppliers and top five subcontractors during the Track Record Period.

4. Subcontractor D is a private company in Hong Kong, the principal activities of which include supply of glass and provision of glass works.

5. Subcontractor E is a sole proprietorship in Hong Kong, the principal activities of which include provision of metal works.

6. Subcontractor F is a private company in Hong Kong, the principal activities of which include provision of fitting-out services.

7. Subcontractor G is a private company in Hong Kong, the principal activities of which include supply of finished furniture products and provision of fitting-out services.

8. Subcontractor H is a private company in Hong Kong, the principal activities of which include provision of fitting-out services.

Principal terms of engagement with our subcontractors

We generally enter into contracts with our subcontractors upon securing contracts from our customers. The terms of our contracts vary across subcontractors and projects but generally mirror the terms of the main contracts with our customers. The major terms of our fitting-out contracts with our subcontractors are set out in the below paragraphs.

Contract sum

The agreed contract sum varies across projects depending on the scale and complexity of the works we are required to perform under the main contract with our customers.

Progress payment

Our subcontractors submit payment request to us on a monthly basis according to percentage of work done under the subcontracted works. Credit period with our subcontractors is generally 30 days after their invoice is issued to us.

Retention money

Although some of our main contracts with our customers provide that our customers shall be entitled to retention money, we generally do not in turn retain any part of the progress payments made to our subcontractors as retention money.

Defects liability period

Depending on the terms of the main contracts with our customers, our subcontractors offer a defects liability period of 12 to 36 months during which our subcontractors are responsible for rectifying defects.

Variation orders

The principal contract terms and settlement of the variation orders are generally in line with those under the main contracts with our customers.

Basis of selecting subcontractors

We evaluate our subcontractors taking into account their quality of services, skills and technique, credit-worthiness, pricing, availability of resources in accommodating delivery requirement as well as their reputation and track records. Based on these factors, we select and maintain an internal list of approved subcontractors and such list is updated on an ongoing basis. When subcontractors are needed for a particular project, we select subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations.

Control over subcontractors

We are liable to our customers for the performance and the quality of work done by our subcontractors. In general, works performed by our subcontractors are inspected and monitored by our on-site personnel based on our quality management system, environmental management system and occupational health and safety management system. For further information on our measures and management systems in relation to work quality, occupational safety and environmental protection, please refer to the paragraphs headed "Quality control", "Occupational health and safety", and "Environmental compliance" in this section.

QUALITY CONTROL

Our fitting-out projects are monitored by a project management team comprising a project manager and a safety officer/safety supervisor, who are responsible for the overall quality assurance of the project. We generally only engage subcontractors on our approved list of subcontractors based on the nature and complexity of each project and the availability of our resources at the time. Our project management team in each project generally conducts regular on-site inspections and arranges for regular meetings with our subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meet the requirements of our customers. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint or request for any kind of material compensation from our customers due to quality issue of our performance and our subcontractors' performance.

ENVIRONMENTAL COMPLIANCE

Our Group's business is subject to the applicable laws and regulations relating to environmental protection. For details, please refer to the section headed "Regulatory overview" in this document.

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

In order to comply with the applicable environmental protection laws and regulations, we have established an environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on areas such as treatment of hazardous materials, noise control, waste management and dust and fumes management.

Set out below are our measures and work procedures required to be followed by our employees and workers of our subcontractors in respect of environmental protection compliance:

Area	**Environmental protection guidelines**
Treatment of hazardous materials	• Any hazardous chemical used shall be disposed of in accordance with the relevant laws and regulations such as the Air Pollution Control Ordinance, the Water Pollution Control Ordinance and the Waste Disposal Ordinance. • Adequate ventilation shall be provided where chemicals or cleaning agents are used.
Noise control	• Using powered mechanical equipment during the restricted hours is prohibited.
Waste management	• Provision of collection points on the site at which all empty cans, packing and other receptacles capable of holding water shall be deposited and shall provide for frequent and regular collection and removal of such articles from the site. • Minimise the generation of waste. • The reuse and recycling of waste shall be practiced as far as possible. The recycled materials shall include paper/ cardboard, timber and metal.
Dust and fumes management	• Prevent dust nuisance and smoke. • Ensure that there will be adequate water supply/storage for dust suppression.

During the Track Record Period, our compliance cost in relation to the applicable environmental laws and regulations in Hong Kong was immaterial. We estimate that the annual cost of compliance going forward will be at a level similar to that incurred during the Track Record Period and consistent with our scale of operation.

INSURANCE

During the Track Record Period, we have taken out insurance policies relating to employees' compensation. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our total insurances premium incurred were approximately HK$0.2 million, HK$0.2 million, HK$0.2 million and HK$59,000, respectively.

Employees' compensation insurance

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

Under section 24 of the Employees' Compensation Ordinance, a contractor will be liable for any accident of the workers of its subcontractors on the work sites. Therefore, where we engage subcontractors, our Group will be liable for any accident of workers of our subcontractors in addition to our own employees. In Hong Kong, the main contractor of a construction project would normally take out insurance policy covering its liabilities as well as the liabilities of all its subcontractors under the Employees' Compensation Ordinance. During the Track Record Period, save for contracts entered into with property owners, all of our Group's customers had taken out employees' compensation insurance policies pursuant to section 40 of the Employees' Compensation Ordinance covering the liabilities of itself and its subcontractors. In such cases, our liabilities as a subcontractor and the liabilities of our subcontractors are insured by our customer's insurance policy, which has also been reflected in the contracts entered into between our Group and our customers. As advised by our HK Legal Counsel, as long as the relevant main contractors have taken out insurance policies on their own to cover all the workers on the work sites up to the applicable amount, there is no requirement under the Employees' Compensation Ordinance that such insurance policy must be taken out by our Group as well.

During the Track Record Period and up to the Latest Practicable Date, we have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our back-office employees as required under the Employees' Compensation Ordinance for an amount of up to HK$100 million per event.

Other insurance coverage

We have also taken out comprehensive insurance on our motor vehicle.

Uninsured risks

Certain risks disclosed in the section headed "Risk factors" in this document, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to retain and attract personnel, credit risk and liquidity risk are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed "Risk management and internal control systems" below in this section for further details regarding how our Group manages certain uninsured risks.

EMPLOYEES

As at the Latest Practicable Date, we had 83 full-time employees who are directly employed by us in Hong Kong. The following table sets forth a breakdown of our full-time employees by function:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018	As at the Latest Practicable Date
Directors and financial controller	4	3	4	4	4
Administrative and accounting department	5	7	7	7	7
Surveying department	4	4	5	8	8
Safety supervising department	0	1	7	8	8
Project department	22	34	42	43	52
Drafting department	1	2	3	3	3
Quality department	1	1	1	1	1
Total	37	52	69	74	83

Relationship with staff

Our Directors are of the view that our management and employees have maintained an amicable relationships which is expected to remain the same or rather better in the future. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labour dispute or claim involving and against us.

Recruitment, employees' remuneration and benefits

We generally recruit employees with the appropriate skills, both technical and personal, in order to meet our current and future needs and ensure that the employees appointed are qualified and competent to carry out their duties.

We may remunerate our employees with a fixed salary and a discretionary bonus based on our Group's performance. Our employees' benefits also include a grant to fund further education which aims at enhancing our employees' personal development or equipping them with necessary knowledge and skills to perform their job duties. Our employees are also entitled to participate in the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix IV to this document. Our ability to attract, retain and motivate qualified personnel is critical to our success. We believe that we are able to attract, retain and motivate qualified personnel by offering competitive remuneration and benefits. With a compact team of energetic employees, we endeavour to provide services that exceed our customers' expectations, which we believe will help us secure new opportunities.

PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following property which was material to our business operation:

Location	Approximate Gross Floor Area *(sq.ft.)*	Rent *(HK$ per month)*	Usage	Duration
Unit 8, 39/F Cable TV Tower No. 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	2,755	44,000	Office	From 1 April 2018 to 31 March 2021
House 3 Grandview Villa 8 Yau Lai Road Yau Kom Tau Tsuen Wan New Territories Hong Kong	1,400	36,000	Directors' quarter for the accommodation of Mr. Man and Mrs. Man	From 6 February 2017 to 5 February 2019

INTELLECTUAL PROPERTY RIGHTS

For the details of our intellectual property rights, please refer to the section headed "B. Further information about our business – 2. Intellectual property rights" in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of (a) any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group; or (b) any disputes with third parties in relation to intellectual property rights.

RESEARCH AND DEVELOPMENT

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

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed "Risk factors" in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation.

Customer concentration risk

Please refer to the paragraph headed "Our customers – Customer concentration".

Credit risk relating to collection of trade receivables and retention receivables

Please refer to the paragraph headed "Our customers – Collection of trade receivables and retention receivables" in this section.

Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed "Our customers – pricing strategy" in this section.

Risks relating to subcontractors' performance

Please refer to the paragraphs headed "Our suppliers – Basis of selecting subcontractors" and "Our suppliers – Control over subcontractors" in this section.

Quality control system

Please refer to the paragraph headed "Quality control".

Environmental management system

Please refer to the paragraph headed "Environmental compliance".

Occupational health and safety system

Please refer to the paragraph headed "Occupational health and safety" in this section.

Liquidity risk

We are exposed to liquidity risk due to the payment practice applied to our projects. For details of such risk, please refer to the section headed "Risk factors – Our liquidity may be materially and adversely affected due to the payment practice applied to our projects" in this document.

We may experience net cash outflows at the early stage of a project as we are required to bear expenses upfront. Our customers make progress payments according to our work progress, and such payments need to be certified by our customers before we issue an invoice to them. In addition, where our contracts provide that our customers shall be entitled to retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. Accordingly, our cash flow typically turn from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. This results in a cash flow gap. To minimise our exposure to such liquidity risk, our administrative and accounting department regularly monitors our financial position. If there is any expected shortage of internal financial resources, we may refrain from undertaking new projects and/or consider different equity and/or debt financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions.

Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely the audit committee, the nomination committee, and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed "Directors, senior management and employees – Board committees" in this document. In particular, one of the primary duties of our audit committee is to review the effectiveness of our internal audit activities, internal control and risk management systems. Our audit committee consists of all three of our independent non-executive Directors, whose background and profiles are set out in the section headed "Directors, senior management and employees" in this document. In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with our Controlling Shareholders – Corporate governance measures on compliance and enforcement of the Deed of Non-competition" in this document. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after **[REDACTED]**.

OCCUPATIONAL HEALTH AND SAFETY

It is our commitment to provide a safe and healthy working environment for our employees and our subcontractors' employees. To minimise the risk and occurrence of workplace accidents and comply with the applicable work safety laws and regulations in Hong Kong, during the Track Record Period, we have either engaged external safety consultants or employed and designate our safety officers and safety supervisors for reviewing and improving safety at project sites.

During the Track Record Period, we engaged registered safety auditor for the purpose of conducting safety audit on our safety management system in accordance with the requirements of the Factories and Industrial Undertakings (Safety Management) Regulations. In the course of the safety audit, the safety auditor (i) conducted physical inspection on selected sites to assess if our established safety management system was implemented in accordance with the relevant laws and regulations in Hong Kong; (ii) obtained documents for review to assess the adequacy and effectiveness of our safety management system; and (iii) suggested areas of improvements and recommendations on our safety management system. Upon completion of the safety audit, the safety audit report was submitted to our safety supervising department and executive Directors for review and then submitted to the Labour Department. No material deficiencies in relation to workplace safety had been identified by the safety auditor and our safety management system had continually fulfilled the relevant safety regulations in all material respects.

During the Track Record Period and up to the Latest Practicable Date, there were a total number of 3 accidents which involved our employees and our subcontractors' employees at our project sites in the ordinary course of our business, of which 1 accident involving injury when lifting or carrying and 1 accident involving slip or fell were reported during the calendar year of 2015 and 1 accident involving lifting or carrying was reported during the calendar year of 2016. There were no fatal accidents during the same period.

The table below sets forth a comparison of the industrial accident and fatality rate per 1,000 workers between our Group and the industry average for the calendar years 2015, 2016 and 2017:

	Industry average *(Note 1)*	**Our Group** *(Note 2)*
For the year ended 31 December 2015		
• Accident rate per 1,000 workers	39.1	7.4
• Fatality rate per 1,000 workers	0.200	nil
For the year ended 31 December 2016		
• Accident rate per 1,000 workers	34.5	1.9
• Fatality rate per 1,000 workers	0.093	nil
For the year ended 31 December 2017		
• Accident rate per 1,000 workers	32.9	nil
• Fatality rate per 1,000 workers	0.185	nil

Notes:

(1) The industry average for the year ended 31 December 2015, 2016 and 2017 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 18 (August 2018) published by the Occupational Safety and Health Branch of the Labour Department.

(2) Our Group's accident and fatality rate is calculated as the number of accidents during the calendar year divided by the number of site workers as at the end of the calendar year. The number of site workers includes employees of our Group and our subcontractors.

LEGAL PROCEEDINGS AND CLAIMS

Save as disclosed in this paragraph headed "Legal proceedings and claims" in this section, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

Potential litigation in relation to employees' compensation claims and personal injury claims

Potential claims refer to those accidents for which no claims have been commenced against us but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the dates of the relevant accidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). These accidents occurred during the usual and ordinary course of our business and have not caused any material disruption to our business. Since no court proceedings have commenced, we are not in a position to assess the likely quantum of such potential claims should they be initiated against us. Our Directors are of the view that any potential claims arising from the work injury accidents will be covered by the relevant insurance policies and to the extent that such amount is not covered by the relevant insurance policies, it will be indemnified by our Controlling Shareholders, pursuant to the Deed of Indemnity. Accordingly, the aforementioned potential claims would not result in any material impact on the operations, financial results or financial position of our Group.

As at the Latest Practicable Date, one of our recorded work injury accidents might give rise to potential employees' compensation and/or personal injury claims. The table below sets out a summary of the expiry of limitation period of the aforesaid work injury accidents:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
From the Latest Practicable Date to 31 December 2018	Nil	Nil
2019	Nil	1
2020	Nil	Nil
2021	Nil	Nil
Total	Nil	1

No provision for litigation claims

Insurance policies have been taken out in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these incidents did not and are not expected to have a material impact on our Group's operations. For further details on our insurance policies, please refer to the paragraph headed "Insurance" in this section.

Regarding the potential employees' compensation claims and personal injury claims, no provision has been made in the financial statements of our Group having considered (i) the uncertainties as to whether such claims will be commenced; (ii) the coverage of liabilities under insurance policy; and (iii) the indemnity given by our Controlling Shareholders under the Deed of Indemnity.

COMPLIANCE

Our directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

EXEMPT CONTINUING CONNECTED TRANSACTION

Prior to the **[REDACTED]**, we entered into the following transaction with a related party who will, upon **[REDACTED]**, become our connected person within the meaning given in Chapter 14A of the Listing Rules. After the **[REDACTED]**, we will continue to carry out the following transaction with such party and such transaction will constitute exempt continuing connected transaction of our Company for the purpose of Chapter 14A of the Listing Rules:

Headquarter Office Tenancy Agreement

Background of Hoi Sing Holdings (HK) Limited ("Hoi Sing Holdings")

Hoi Sing Holdings principally engages in property investment. As at the Latest Practicable Date, Hoi Sing Holdings is directly owned as to 50% by Mr. Man and as to 50% by Mrs. Man, each a Director and Controlling Shareholder, and hence Hoi Sing Holdings is a connected person of our Company under Rule 14A.07 of the Listing Rules. For details, please see the section headed "Relationship with our Controlling Shareholders" in this document.

Nature of transaction

On 19 September 2018, a tenancy agreement (the "**Headquarter Office Tenancy Agreement**") was entered into between Hoi Sing Holdings as landlord, and our Company as tenant, under which Hoi Sing Holdings agreed to lease Unit 8, 39/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong with a gross floor area of 2,755 sq.ft., for a term ending on 31 March 2021 to our Company for office use. Pursuant to the Headquarter Office Tenancy Agreement, the monthly rental payable to Hoi Sing Holdings shall be in the sum of HK$44,000 (exclusive of government rent, management fees and other utilities outgoings which are payable by our Group).

The term of the Headquarter Office Tenancy Agreement may be renewed as the parties thereto mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for and benefits for the transaction

Since 2011, our Group has been leasing the abovementioned properties from Hoi Sing Holdings for use as our office premise. As our office premises is well established and known to our business partners, we currently do not, and in a foreseeable future will not, have any plan to relocate to alternative properties, which we believe is in the interest of our Company and our Shareholders as a whole in terms of cost, time and operational stability.

Our Directors (including the independent non-executive Directors) consider that the terms of the Headquarter Office Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group and our Shareholders as a whole.

Historical transaction value

For the years ended 31 March 2016, 2017 and 2018, the aggregate rentals paid by our Group to Hoi Sing Holdings were approximately HK$432,000, HK$432,000 and HK$432,000 respectively.

Pricing policy

The annual rental payable under the Headquarter Office Tenancy Agreement was determined after arms' length negotiations between the parties thereto with reference to the prevailing market rates in respect of the same or similar properties in the same locality. With reference to an independent property valuation report reviewing the annual rental payable under the Headquarter Office Tenancy Agreement, the Directors are of the view that the terms (including the annual rental payable) of the Headquarter Office Tenancy Agreement are fair, reasonable and are consistent with the prevailing market rates for similar premises in similar locations in Hong Kong.

Proposed annual caps

Our Directors estimated that the aggregate annual rental payable by our Group to Hoi Sing Holdings under the Headquarter Office Tenancy Agreement is HK$528,000. Therefore, the proposed annual caps for the tenancy under the Headquarter Office Tenancy Agreement, for each of the years ending 31 March 2019, 2020 and 2021, are approximately HK$528,000, HK$528,000 and HK$528,000 respectively.

Basis of annual caps

The proposed annual caps set out above for the three years ending 31 March 2019, 2020 and 2021 in respect of the properties to be leased from Hoi Sing Holdings are determined with reference to annual rental payable under the Headquarter Office Tenancy Agreement.

The Sole Sponsor is of the view that the proposed annual caps for the rental payable by our Group to Hoi Sing Holdings under the Headquarter Office Tenancy Agreement are fair, reasonable and are consistent with the prevailing market rates for similar premises in similar locations as at the date of the Headquarter Office Tenancy Agreement.

Listing Rules implications

It is anticipated that on an annual basis, the annual rental to be paid by our Group under the Headquarter Office Tenancy Agreement for each of the three years ending 31 March 2019, 2020 and 2021 will not be more than HK$528,000 per annum, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Headquarter Office Tenancy Agreement is, on an annual basis, less than 5% and the total consideration is less than HK$3,000,000. Therefore, the transaction contemplated under the Headquarter Office Tenancy Agreement qualifies as a de minimis transaction, constitutes an exempt continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules and will be exempted from independent Shareholders' approval, annual review and all disclosure requirements under the Listing Rules.

BOARD OF DIRECTORS

Our Board consists of six Directors, comprising three executive Directors and three independent non-executive Directors.

The table below shows certain information with respect to our Directors:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Executive Directors						
Mr. MAN Hoi Yuen (文海源)	57	September 1995	9 May 2018	Executive Director, and chairman of our Board	Overall management, strategic development and major decision-making of our Group	Spouse of Mrs. Man
Ms. NG Yuen Chun (吳婉珍)	53	September 1995	9 May 2018	Executive Director	Overall management and overseeing administrative matters of our Group	Spouse of Mr. Man
Mr. HO Chi Hong (何志康)	42	May 2001	9 May 2018	Executive Director and chief executive officer	Overseeing the tendering activities and participating in the day-to-day operation and management of our Group	Nil

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Independent non-executive Directors						
Mr. CHAN Ka Yu (陳家宇)	39	6 December 2018	6 December 2018	Independent non-executive Director	Overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group	Nil
Mr. LO Ki Chiu (盧其釗)	33	6 December 2018	6 December 2018	Independent non-executive Director	Overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group	Nil
Mr. LEUNG Wai Lim (梁唯廉)	45	6 December 2018	6 December 2018	Independent non-executive Director	Overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group	Nil

Executive Directors

Mr. MAN Hoi Yuen (文海源), aged 57, was appointed as our Director on 9 May 2018, and re-designated as an executive Director on 7 June 2018. He was also appointed as chairman of our Board on 6 December 2018. He is mainly responsible for overall management, strategic development and major decision-making of our Group. Mr. Man is also the chairman of the nomination committee of our Board. Mr. Man is the spouse of Mrs. Man. Prior to founding Hoi Sing Decoration with Mrs. Man in 1995, Mr. Man worked for a construction company since 1982. As one of the founders of our Group, Mr. Man has over 22 years of experience in the fitting-out industry. Mr. Man is also one of the directors of each of Link Shing, Hoi Sing Decoration, Hoi Sing Construction, Chun Shing Development and Milieu. Mr. Man attended secondary education.

Mr. Man was a director of the following companies in Hong Kong, which were dissolved due to cessation of business, with details as follows:

Name of Company	Nature of business before dissolution	Date of dissolution	Nature of proceeding
Great Gold International Trading Limited	Investment holding	29 October 2010	Deregistration under Section 291AA of the Companies (WUMP) Ordinance
Hoi Ho Engineering Limited	Construction – metal work	16 May 2003	Deregistration under Section 291AA of the Companies (WUMP) Ordinance

Mr. Man confirmed that the above companies were solvent immediately prior to their respective dissolution and there is no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Ms. NG Yuen Chun (吳婉珍), aged 53, was appointed as our Director on 9 May 2018 and was re-designated as an executive Director on 7 June 2018. She is mainly responsible for overall management and overseeing administrative matters of our Group. Mrs. Man is one of the founders of our Group and the spouse of Mr. Man. Mrs. Man attended secondary education. Mrs. Man co-established Hoi Sing Decoration with Mr. Man in 1995 and has over 22 years of experience in the fitting-out industry. Mrs. Man is also one of the directors of each of Link Shing, Hoi Sing Decoration, Hoi Sing Construction, Chun Shing Development and Milieu.

Mrs. Man was a director of the following companies in Hong Kong, which were dissolved due to cessation of business, with details as follows:

Name of Company	Nature of business before dissolution	Date of dissolution	Nature of proceeding
Great Gold International Trading Limited	Investment holding	29 October 2010	Deregistration under Section 291AA of the Companies (WUMP) Ordinance
Wai Yang Construction Engineering Limited	Construction engineering	15 July 2016	Deregistration under Section 751 of the Companies Ordinance

Mrs. Man confirmed that the above companies were solvent immediately prior to their respective dissolution and there is no wrongful act on her part leading to the dissolutions and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. HO Chi Hong (何志康), aged 42, was appointed as our Director on 9 May 2018 and was re-designated as an executive Director on 7 June 2018. He is also our chief executive officer and mainly responsible for overseeing the tendering activities and participating in the day-to-day operation and management of our Group. Mr. Ho became one of the shareholders of Hoi Sing Decoration in August 2014 and one of the directors of Hoi Sing Decoration since October 2014.

Mr. Ho obtained a degree of Bachelor of Science in Quantity Surveying from the University of Greenwich in the United Kingdom in July 1998.

Mr. Ho has accumulated about 20 years of experience in the construction industry. Prior to joining our Group in May 2001, he was an assistant quantity surveyor in Hoo Cheong Building Construction Co., Ltd. from July 1998 to March 2001.

Mr. Ho was a director of the following companies in Hong Kong, which were dissolved due to cessation of business, with details as follows:

Name of Company	Nature of business before dissolution	Date of dissolution	Nature of proceeding
Hoi Ho Engineering Limited	Construction – metal works	16 May 2003	Deregistration under Section 291AA of the Companies (WUMP) Ordinance

Name of Company	Nature of business before dissolution	Date of dissolution	Nature of proceeding
Miracle Investment Development Limited	Fashion retails	22 July 2011	Deregistration under Section 291AA of the Companies (WUMP) Ordinance
Cornerstone Material & Contracting Co., Limited	Trading	19 October 2012	Deregistration under Section 291AA of the Companies (WUMP) Ordinance
Kenwell Development Limited	Bar	19 June 2015	Striking off under Section 746 of the Companies Ordinance

Mr. Ho confirmed that the above companies were solvent immediately prior to their respective dissolution and there is no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Independent non-executive Directors

Mr. CHAN Ka Yu (陳家宇), aged 39, was appointed as our independent non-executive Director on 6 December 2018. He is mainly responsible for overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group. He is the chairman of our audit committee, and a member of each of our remuneration committee and nomination committee.

Mr. Chan has over 10 years of professional accounting and financial reporting experience. From July 2004 to July 2007, Mr. Chan worked as an accountant at Kam & Cheung Certified Public Accountants. From July 2007 to August 2010, he was a senior auditor at World Link CPA Limited. From September 2010 to April 2012, he worked at BDO Limited (which was formerly known as JBPB & Company), initially as a senior accountant and subsequently promoted as a senior associate. From May 2012 to April 2013, Mr. Chan was an investor relations officer at Fantasia Group (China) Company Limited, a subsidiary of Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司) (stock code: 1777), the shares of which are listed on the Main Board of the Stock Exchange. Since June 2013, he has been working as the chief financial officer of CEFC Hong Kong Financial Investment Company Limited (香港華信金融投資有限公司) (formerly known as Runway Global Holdings Company Limited (時尚環球控股有限公司)) (stock code: 1520), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan currently is an independent non-executive director of Dragon Rise Group Holdings Limited (龍昇集團控股有限公司) (stock code: 6829), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Chan obtained a degree of Bachelor of Commerce in Accounting from Hong Kong Shue Yan University in October 2009. He is a member of The Hong Kong Institute of Certified Public Accountants since March 2009.

Mr. LO Ki Chiu (盧其釗), aged 33, was appointed as our independent non-executive Director on 6 December 2018. He is mainly responsible for overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group. He is a member of each of our remuneration committee and audit committee.

Mr. Lo is currently the managing director of Wealth Property Agency Limited, which he joined in December 2007 first as an account executive. Mr. Lo was a guest lecturer of The Education University of Hong Kong from January 2017 to June 2017. He was also a part-time instructor and an assistant instructor of the Lingnan Institute of Further Education, Lingnan University from February 2017 to June 2017 and from September 2012 to August 2013, respectively. Mr. Lo currently is an independent non-executive director of Wang Yang Holdings Limited (泓盈控股有限公司) (stock code: 1735), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Lo obtained a degree of Bachelor of Arts in Physical Education and Recreation Management from the Hong Kong Baptist University in November 2007, as well as a degree of Master of Science in International Banking and Finance and a degree of Master of Philosophy in Economics from the Lingnan University in October 2009 and October 2011, respectively. Mr. Lo is a PhD candidate majoring in Physical Education in the Hong Kong Baptist University which was approved in September 2015.

Mr. LEUNG Wai Lim (梁唯廉), aged 45, was appointed as our independent non-executive Director on 6 December 2018. He is mainly responsible for overseeing the management independently and providing independent judgment on our strategy, performance, resources and standard of conduct of our Group. He is the chairman of our remuneration committee, and a member of each of our audit committee and nomination committee.

Mr. Leung is an adjudicator appointed to the Panel of Adjudicators (Control of Obscene and Indecent Articles) (established under the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong)) and a member of the Board of Review (Inland Revenue Ordinance) in Hong Kong.

Mr. Leung has over 17 years of law related working experience. Mr. Leung was employed by DLA Piper Hong Kong from February 2001 to April 2009 at which his last position was partner. He was then employed by Eversheds Hong Kong from May 2009 to April 2015 at which his last position was partner. Since May 2015 up to the present, Mr. Leung has been a partner of Howse Williams Bowers. Mr. Leung is currently an independent non-executive director of Shun Wo Group Holdings Limited (汛和集團控股有限公司) (stock code: 1591) and China New Economy Fund Limited (中國新經濟投資有限公司) (stock code: 80), both shares of which are listed on the Main Board of the Stock Exchange.

Mr. Leung obtained a degree of Bachelor of Laws from University of Wales in the United Kingdom in July 1995. Mr. Leung was admitted to practice law as a solicitor in Hong Kong in August 1999 and in England and Wales in April 2001.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirm with respect to him/her that he/she (i) did not hold other positions in our Company or members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or Substantial or Controlling Shareholders as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and that there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules. As at the Latest Practicable Date, save as the interests of Mr. Man, Mrs. Man and Mr. Ho in our Shares which are disclosed in the paragraphs headed "Further Information about Substantial Shareholders, Directors and Experts" in Appendix IV to this document, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

The following table sets forth certain information relating to the senior management members of our Group:

Name	Age	Date of joining our Group	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Mr. SIU Wing Kin (蕭永健)	48	November 2017	Financial Controller	Overall management of financial matters and company secretarial matters of our Group	Nil
Mr. TANG Tai Cheung (鄧帶祥)	49	December 2014	Quantity Surveyor	Overall management of contract administration and payment related matters of our Group	Nil
Ms. CHEUNG Lai Yi (張麗儀)	44	November 1997	Administration and Account Manager	Overall management of human resources and administrative matters of our Group	Nil

Mr. SIU Wing Kin (蕭永健), aged 48, joined our Group in November 2017 and is our company secretary and financial controller. Mr. Siu is mainly responsible for overall management of financial matters and company secretarial matters of our Group. Mr. Siu has over 23 years of audit, accounting and financial management experience. Mr. Siu obtained a degree of Bachelor of Economics (major in accounting) from The University of Sydney in Australia in June 1996. He is also a member of The Hong Kong Institute of Certified Public Accountants.

From July 1996 to July 2001, Mr. Siu worked for S.N. Tsang & Co., at which his last position was audit manager. Mr. Siu joined Mayor Packaging Enterprises (1968) Ltd. as a finance and administration manager from June 2001 to January 2005. He then joined CCT Telecom (HK) Limited as a finance manager from August 2006 to October 2008. He worked for Hayco (Hong Kong) Limited as a finance manager from May 2013 to June 2014. From September 2014 to October 2017, Mr. Siu worked for Mega Precision Technology Limited at which his last position was deputy chief operation officer.

Mr. TANG Tai Cheung (鄧帶祥), aged 49, joined our Group in December 2014 and is our quantity surveyor. Mr. Tang is responsible for overall management of contract administration and payment related matters of our Group. Mr. Tang has over 20 years of quantity surveying experience. Mr. Tang obtained a degree of Bachelor of Science in Quantity Surveying from the University of Greenwich in the United Kingdom in June 2001.

Prior to joining our Group, Mr. Tang worked as site clerk and technician apprentice for Wah Hin & Co., Ltd. from March 1992 to October 1995. He then worked as technician apprentice for Yrong Zhing Construction Co., Ltd. from October 1995 to January 1996. From February 1996 to September 1996, he worked as site quantity surveyor for Shun Shing Construction & Engineering Co., Ltd.. Mr. Tang then worked for Paul Y. – ITC Management Limited as an assistant quantity surveyor from October 1996 to August 1997. He then worked for M & G Contracting Ltd. as a quantity surveyor from February 1998 to January 1999. Mr. Tang worked for Hip Hing Construction Co., Ltd. as quantity surveyor from September 2001 to November 2003. He then worked for China Overseas (Hong Kong) Limited as quantity surveyor from December 2003 to April 2005 and from June 2005 to July 2007. He worked for China State Construction Limited as quantity surveyor from November 2007 to October 2008. He then worked for Handy Construction Co., Ltd. as a project quantity surveyor from August 2010 to May 2013. Mr. Tang then joined Able Engineering Company Limited as a quantity surveyor from June 2013 to November 2014.

Ms. CHEUNG Lai Yi (張麗儀), aged 44, joined our Group in November 1997 and is our administration and account manager. Ms. Cheung is mainly responsible for overall management of human resources and administrative matters of our Group. She has over 20 years of administrative experience. Ms. Cheung attended secondary education. Prior to joining our Group, Ms. Cheung worked as a QA inspector in AST Research (Far East) Limited from November 1994 to January 1996.

Each of the members of our senior management confirmed with respect to himself and herself that: (i) as at the Latest Practicable Date, he or she had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he or she did not have any relationships with any

Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he or she did not hold any directorships in any other public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. SIU Wing Kin (蕭永健), aged 48, was appointed as the company secretary of our Company on 7 June 2018. Please refer to the paragraph headed "Senior management" above for details of his background and qualifications.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Chan Ka Yu (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Lo Ki Chiu and Mr. Leung Wai Lim. The primary duties of the audit committee include, but not limited to, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, overseeing the audit process, developing and reviewing our policies and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with the Listing Rules. The remuneration committee consists of three independent non-executive Directors, namely Mr. Leung Wai Lim (being the chairman of the remuneration committee), Mr. Chan Ka Yu and Mr. Lo Ki Chiu. The primary duties of the remuneration committee include, but not limited to, (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility, performance, and the general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the **[REDACTED]**, subject to the review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Listing Rules. The nomination committee consists of three members, namely Mr. Man (being the chairman of the nomination committee), and two of our independent non-executive Directors, namely Mr. Chan Ka Yu and Mr. Leung Wai Lim. The primary functions of the nomination committee include, but are not limited to, (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (ii) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (iii) assessing the independence of our independent non-executive Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The aggregate amount of remuneration including fee, salaries, allowances and other benefits in kind, discretionary bonuses and retirement scheme contributions which were paid by our Group to our Directors for the three years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018 was approximately HK$2,412,000, HK$2,179,000, HK$2,276,000 and HK$592,800, respectively.

The aggregate amount of remuneration including salaries, allowances and other benefits in kind, discretionary bonuses and retirement scheme contributions which were paid by our Group to the five highest paid individuals, excluding two Directors, for the three years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018 was approximately HK$1,508,000, HK$1,468,000, HK$1,524,000 and HK$705,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office for the three years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fee, salaries, allowances and other benefits in kind, retirement scheme contributions but excluding any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2019 is estimated to be no more than HK$2,900,000.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 6 December 2018. For details of the Share Option Scheme, please refer to the section headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this document.

RETIREMENT BENEFIT SCHEME

In Hong Kong, we participate in mandatory provident fund scheme prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Save as the aforesaid, we have not participated in any other pension scheme.

COMPLIANCE ADVISER

We have appointed Grande Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the **[REDACTED]** and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

OVERVIEW

Hoi Lang is a company incorporated in the BVI with limited liability and is owned by Mr. Man, Mrs. Man and Mr. Ho as to 50%, 30% and 20%, respectively. Immediately following completion of the **[REDACTED]** and the **[REDACTED]** and taking no account any Shares that may be allotted and issued pursuant to the exercise of any option that may be granted under the Share Option Scheme, Hoi Lang will hold **[REDACTED]**% of our Shares in issue. The principal business of Hoi Lang is investment holding. Further information on Hoi Lang is set forth in the section headed "History, development and reorganisation" in this document. On 4 June 2018, Mr. Man, Mrs. Man and Mr. Ho have entered into an acting in concert confirmation and undertaking, which they confirm and declare that, since 28 August 2014, the date of which Mr. Ho been a shareholder of Hoi Sing Decoration, (i) they have and shall continue to actively cooperate and communicate with each other, and have and shall continue to adopt a consensus building approach to reach decisions on a unanimous basis; (ii) they have and shall continue to vote as a group (by themselves and/or through companies controlled by them) in respect of all corporate matters relating to the financials and operations of the Group at the shareholder and board levels of each member company of the Group; and (iii) in relation to all corporate matters that require the decisions of them, they have been given and shall continue to give sufficient time and information to consider and discuss in order to reach consensus. Accordingly, each of Mr. Man, Mrs. Man, Mr. Ho and Hoi Lang will be regarded as a group of Controlling Shareholders under the Listing Rules.

COMPANY OWNED BY THE CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

As at the Latest Practicable Date, our Controlling Shareholders had interests in Hoi Sing Holdings (HK) Limited ("**Hoi Sing Holdings**") which did not form part of our Group. Hoi Sing Holdings is a company incorporated in Hong Kong on 29 January 2007. As at the Latest Practicable Date, Hoi Sing Holdings was owned as to 50% by Mr. Man and 50% by Mrs. Man, the spouse of Mr. Man. The principal business of Hoi Sing Holdings is property investment. During the Track Record Period, Hoi Sing Holdings has leased office premises in Hong Kong to our Group. We will continue to rent from Hoi Sing Holdings the Hong Kong office premises. After the **[REDACTED]**, the transaction between our Group and Hoi Sing Holdings will constitute exempt continuing connected transaction of our Company under the Listing Rules. Please refer to the section headed "Connected transaction" in this document for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon the **[REDACTED]** for the following reasons:

Management independence

Our Company has a board of directors that functions independently from Hoi Lang which is an investment holding company with no business activities.

Our Board comprises three executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the **[REDACTED]** and the **[REDACTED]**.

Operational independence

Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 31 to the Accountants' Report, the text of which is set out in Appendix I to this document, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. The transaction between our Group and Hoi Sing holdings will continue after the **[REDACTED]**, and will constitute exempt continuing connected transaction under the Listing Rules, details of which are set out in the section headed "Connected transaction" in this document. As such transaction is entered into in the ordinary and usual course of business of our Group on terms which are fair and reasonable and in the interest of our Company and our Shareholders as a whole, we do not consider there are any material reliance by our Group on the Controlling Shareholders and/or their respective close associates.

Further, our Directors consider that our operations do not depend on our Controlling Shareholders for the following reasons:

(a) there is no competing business between our Group and any of our Controlling Shareholders;

(b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business; and

(c) we have our own independent operation capabilities and independent access to customers and suppliers. Apart from the transaction set out in the section headed "Connected transaction" in this document, there will not be any significant transaction between our Group and any of our Controlling Shareholders (and their respective associates) upon and shortly after **[REDACTED]**.

Our Group, our Controlling Shareholders and their respective close associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

On the basis of the matters described above, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group).

Financial independence

We make financial decisions according to our own business needs. Our Group has established a financial reporting system that operates independently, has established our own internal control and accounting system, has our own independent accounting department, and has a financial controller who is independent from our Controlling Shareholders who is responsible for overseeing our Group's financial functions. Our Directors therefore consider that our Group is able to operate independently from the Controlling Shareholders from a financial perspective.

As at 31 March 2016, 2017 and 2018 and 30 April 2018, our Group had banking facilities amounting to approximately HK$25.0 million, HK$31.7 million, HK$43.2 million and HK$43.0 million respectively which were secured by (i) unlimited personal guarantee and indemnity granted by Mr. Man and Mrs. Man; (ii) unlimited corporate guarantee granted by Hoi Sing Holdings; (iii) personal property owned by Mr. Man; and (iv) proceeds in relation to all account receivables of one of our subsidiaries. The guarantees and securities in relation to the aforementioned items (i), (ii) and (iii) will be released and replaced by corporate guarantees of our Company upon **[REDACTED]**.

Our Group has sufficient capital to operate our business independently, and has adequate internal resources and available credit facilities to support our daily operations.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, confirm that, none of our Controlling Shareholders, our Directors or any of their respective close associates have interests in any businesses other than our business which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Based on all of the above factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after the **[REDACTED]**.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders and executive Directors has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders and executive Directors (together, the "**Covenantors**") has, amongst other matters, irrevocably and unconditionally undertaken with our Company (for itself and as trustee for its subsidiaries) on a joint and several basis, that each of the Covenantors shall, and shall procure that their respective close associates (other than members of our Group):

(a) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to complete directly or indirectly with the business currently engaged or possibly to be engaged by our Group in the future (including but not limited to the fitting-out business in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or carries on business mentioned above from time to time) (the "**Restricted Activity**");

(b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employees of our Group;

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders or directors of any member of our Group for the purpose of engaging, investing or participating in any Restricted Activity;

(d) if there is any project or new business opportunity that relates to the Restricted Activity (the "**Business Opportunity**") available to any of the Covenantors or their close associates (other than members of our Group), it/he/she shall:

(i) direct such Business Opportunity to our Group with requisite information to enable our Group to evaluate the merits of the same;

(ii) the relevant person who plans to participate or engage in such Business Opportunity shall give our Company a first right of refusal to participate or engage therein and shall not participate or engage in those activities unless with the principal terms thereof disclosed to and prior written consent obtained from our Company;

(iii) not pursue such Business Opportunity until our Group has confirmed its rejection to pursue, involve or engage in the same because of commercial reasons. Any of our decisions on which will have to be approved by our independent non-executive Directors (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account the prevailing business and financial resources of our Group, the financial resources required for such Business Opportunity and, where necessary, any expert opinion on the commercial viability of the same; and

(iv) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (d) (iii) above, that the principal terms on which the Covenantors and/or its/his/her close associates pursues such Business Opportunity shall be substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;

(e) keep our Board informed of any matter of potential conflicts of interests between each of the Covenantors (including its/his/her close associates) and our Group, in particular a transaction between any of the Covenantors (including its/his/her close associates) and our Group; and

(f) provide as soon as practicable upon our Company's request:

(i) a written confirmation on an annual basis in respect of compliance by it/him/her with the terms of the Deed of Non-Competition;

(ii) all information necessary for the review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition; and

(iii) their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

The Deed of Non-Competition is conditional on (i) the Listing Committee of the Stock Exchange granting **[REDACTED]** of, and permission to deal in, all our Shares in issue and to be issued under the **[REDACTED]**; and (ii) the obligations of the **[REDACTED]** under the **[REDACTED]** having become unconditional (including, if relevant as a result of the waiver of any condition(s) by the **[REDACTED]** and that the **[REDACTED]** not being terminated in accordance with the terms of the respective agreements or otherwise.

Pursuant to the Deed of Non-Competition, the obligations of the Covenantors will cease on the earliest of the following dates on which:

(i) our Controlling Shareholders and their close associates (individually or taken as a whole) cease to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be a controlling shareholder of the Company for the purpose of the Listing Rules and do not have power to control our Board;

(ii) our Shares cease to be listed on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares); or

(iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

CORPORATE GOVERNANCE MEASURES ON COMPLIANCE AND ENFORCEMENT OF THE DEED OF NON-COMPETITION

In order to properly manage any potential or actual conflict of interests between us on one hand and our Controlling Shareholders and executive Directors and their respective close associates on the other hand in relation to compliance and enforcement of the Deed of Non-Competition, we have adopted the following corporate governance measures:

(i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition to be complied with by our Controlling Shareholders and executive Directors;

(ii) we will disclose any decisions on matters reviewed and approved by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under sub-paragraph (d) (iii) of the paragraph headed "Deed of Non-Competition" above in this section) either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he may not vote on the resolutions of the Board approving that matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and executive Directors and their respective close associates on one hand and our Group on the other hand, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Immediately after completion of the [REDACTED] and the [REDACTED]	
Name of Shareholders	**Capacity/ Nature of interest**	**Number of Shares(1)**	**Percentage of shareholding**
Hoi Lang(2)	Beneficial owner	**[REDACTED]**	**[REDACTED]**
Mr. Man(2)	Interest in a controlled corporation	**[REDACTED]**	**[REDACTED]**
Mrs. Man(3)	Interest of spouse	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The letters "L" denotes the respective "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2) Hoi Lang held **[REDACTED]**% of the total issued share capital of our Company and Hoi Lang was in turn owned by Mr. Man (our executive Director and chairman of our Board), Mrs. Man (our executive Director) and Mr. Ho (our executive Director and chief executive officer) as to 50%, 30% and 20%, respectively.

(3) Mrs. Man is the spouse of Mr. Man. Therefore, Mrs. Man and Mr. Man are deemed or taken to be interested in the Shares held by Hoi Lang under the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the **[REDACTED]** and **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:		*HK$*
1,000,000,000	Shares of par value HK$0.01 each	10,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and [REDACTED]:

Without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** will be as follows:

		HK$
200	Shares in issue as at the date of this document	2
[REDACTED]	Shares to be issued under the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued under the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares in total	**[REDACTED]**

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The **[REDACTED]** represent 25% of the issued share capital of our Company upon the **[REDACTED]**.

RANKING

The **[REDACTED]** and our Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme will rank equally in all respects with all other existing Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document except for the entitlement under the **[REDACTED]**.

[REDACTED]

Pursuant to the written resolutions of our sole Shareholder passed on 6 December 2018, subject to the conditions set forth therein, our Directors are authorised to allot and issue a total of **[REDACTED]** Shares credited as fully paid at par to the Shareholders whose name appears on the register of members of our Company at the close of business on 6 December 2018, (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued by fraction of a Share) by way of capitalisation of the sum of HK$**[REDACTED]** standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued Shares.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set forth in the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE

Conditional on the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

(i) 20% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]**; and

(ii) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of options granted under the Share Option Scheme do not generally require the approval of Shareholders of our Company in general meeting and the aggregate nominal amount of Shares which our Directors were authorised to allot and issue pursuant to this mandate will not be compromised by the allotment and issue of such Shares.

This mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiration of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

whichever occurs first.

Further details of this general mandate are set forth in the paragraph headed "Statutory and general information – A. Further information about our Company – 3. Written resolutions of our sole Shareholder passed on 6 December 2018" in Appendix IV to this document.

REPURCHASE OF SHARES

Conditional on the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]**.

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the section headed "Statutory and general information – A. Further information about Our Company – 6. Repurchase of our Shares by our Company" in Appendix IV to this document.

This mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiration of the period within which our Company is required by any applicable laws or Articles to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

whichever occurs first.

Further information on the Repurchase Mandate is set forth in the paragraphs under "Statutory and General Information – A. Further Information about Our Company – 3. Written resolutions our sole Shareholder passed on 6 December 2018" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles. Detailed information on the Articles is set forth in the section headed "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this document.

The following discussion of our Group's financial condition and results of operations should be read in conjunction with our Group's financial information as at the end of and for each of FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, including the notes thereto, included in Appendix I to this document. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section headed "Risk factors" and elsewhere in this document.

OVERVIEW

We are an established fitting-out contractor in Hong Kong with over 22 years of experience since the establishment of one of our principal operating subsidiaries, Hoi Sing Decoration in 1995. Our fitting-out services cover both (i) fitting-out works conducted on new buildings; and (ii) interior renovation works on existing buildings that involve upgrades, makeovers and demolition of existing works. Our fitting-out services are mainly provided for residential and commercial properties in Hong Kong on a project basis. To a lesser extent, we also engage in supply of fitting-out materials such as timber products upon customers' requests in Hong Kong.

During the Track Record Period, our revenue represented income derived from (i) fitting-out services and (ii) supply of fitting-out materials. Suppliers of goods and services which are specific to our business and are required on regular basis to enable us to continue to carry on our business mainly include (i) our subcontractors; (ii) suppliers of fitting-out materials required for performing our fitting-out services such as finished furniture products, timber products, glass and metal; and (iii) suppliers of other miscellaneous services such as rental of machinery and equipment, transportation services and consultancy services.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including, in particular, the following:

The fitting-out industry is fragmented and competitive

According to the Ipsos Report, the fitting-out industry in Hong Kong is fragmented and competitive and there are no particular licensing requirements for carrying out fitting-out works in the private sectors. According to the Construction Industry Council, as of 31 October 2018, there were 700 companies registered as subcontractor under the category of renovation and fitting-out with the Construction Industry Council. Some of our competitors may have more resources, longer operating histories, stronger relationship with customers and reputable brand names and therefore we may face competition from other existing and/or new contractors in the tender process for fitting-out projects. If competition becomes more intense for whatever reasons, we may face significant downward pricing pressure thereby reducing our profit margins.

Our tender/quotation success rate on fitting-out services projects

During the Track Record Period, we secured new businesses through direct invitation for tender/quotation by customers. Our tender/quotation success rates for fitting-out services contracts were approximately 28.3%, 27.0%, 38.3% and 40.0% for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. Our tender/quotation success rate depends on various factors, such as our pricing and tender/quotation strategy, customers' tender/quotation evaluation standards, our competitors' pricing and tender/quotation strategy, and the level of competition. The number of tender/quotation invitations or contracts available for bidding in the future and our tender/quotation success rate will affect our financial position and performance.

Pricing of our projects

Our pricing is generally determined based on certain markups over our estimated costs. We need to estimate our time and costs involved in a project in order to determine our fee quotation or tender price and there is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including but not limited to unforeseen site conditions, adverse weather conditions, accidents, non-performance by our subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances, etc. For further details, please refer to the section headed "Business – Pricing strategy" in this document. Our pricing directly affects our revenue and cash flows.

Fluctuation in our direct costs

Our direct costs mainly comprise (i) subcontracting charges; (ii) direct materials costs; and (iii) staff costs. We engage suppliers in Hong Kong and the PRC. Our main purchases include subcontracting services as well as finished furniture products, timber products, glass and metal. Please refer to the section headed "Business – Our suppliers" in this document for further details on our suppliers and subcontractors.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of subcontracting charges and direct materials costs (being the major components of our direct costs) on our profit before income tax during the Track Record Period. The hypothetical fluctuation rates for subcontracting charges are set at 3.1% and 14.7%, which correspond to the approximate minimum and maximum percentage changes in the average daily wages of fitting-out workers in Hong Kong from 2013 to 2017 as stated in the Ipsos Report (see "Industry overview – Price trend of major fitting-out cost components – Average wages of fitting-out workers in Hong Kong" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis. The hypothetical fluctuation rates for direct materials costs are set at 0.7% and 14.3%, which correspond to the approximate minimum and maximum percentage changes in the average import price of timber products and the average wholesale price of glass in Hong Kong from 2013 to 2017 as stated in the Ipsos Report (see "Industry overview – Price trend of major fitting-out cost components" in this document) and are therefore considered reasonable for the purpose of this sensitivity analysis.

Hypothetical fluctuations in our subcontracting charges	-3.1%	-14.7%	+3.1%	+14.7%
Increase/(decrease) in profit before income tax(Note)				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FY2015/16	4,170	19,773	(4,170)	(19,773)
FY2016/17	6,295	29,852	(6,295)	(29,852)
FY2017/18	8,583	40,702	(8,583)	(40,702)
Four months ended 31 July 2018	3,763	17,843	(3,763)	(17,843)

Hypothetical fluctuations in our direct materials costs	-0.7%	-14.3%	+0.7%	+14.3%
Increase/(decrease) in profit before income tax(Note)				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FY2015/16	485	9,905	(485)	(9,905)
FY2016/17	578	11,806	(578)	(11,806)
FY2017/18	1,349	27,562	(1,349)	(27,562)
Four months ended 31 July 2018	373	7,613	(373)	(7,613)

Note: Our profit before income tax was approximately HK$14.4 million, approximately HK$33.0 million, approximately HK$46.9 million and approximately HK$12.2 million for each of FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018 respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Please refer to note 1 of the accountants' report set out in Appendix I to this document.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the accountants' report set out in Appendix I to this document.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in note 4 to the accountants' report set out in Appendix I to this document.

Revenue recognition

Fitting-out services

Revenue of products and services transferred over time is recognised progressively based on the value of performance completed to date as a percentage of total transaction price to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Our Group recognises contract revenue on a project based on management's estimation of the progress of the satisfaction of performance obligations of a construction contract over time, measured by the value of performance completed to date of the individual contract as a percentage of total transaction price. The values of performance completed to date of each of the individual contracts are determined by our Group based on surveys of the fitting-out works completed by our Group to date as stated on the payment certificates issued by our Group's customers or other representatives appointed by our Group's customers. Such payment certificates certifying the value of works carried out to date are issued taken into account of the payment applications submitted by our Group in relation to the actual amount of works completed by our Group which are prepared based on internal progress reports of our Group.

In cases where the payment certificates do not take place as at our Group's reporting period-end dates or do not exactly cover periods up to the reporting period-end dates, the revenue for the period from the last payment certificates up to the reporting period-end dates is estimated based on the actual amounts of works performed by our Group during such period as indicated by the internal progress reports and the payment applications prepared by the surveyors of our Group and may also be determined with reference to the next payment certificates issued by our Group's customers or other representatives appointed by our Group's customers that takes place subsequent to the reporting period-end dates.

Because of the nature of the activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue, contract costs and variation order, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers and vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs and revises the budgeted construction costs as appropriate.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit taken. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustments to the amounts recorded to date.

Supply of fitting-out materials

Revenue of products transferred at a point in time is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the Group transfers control over the products to the customer.

Adoption of HKFRS 15 by our Group

The Group has elected to adopt HKFRS 15 in the combined financial statements of the Group for the Track Record Period, because the new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows.

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces the existing revenue standards, including HKAS 18 which covers revenue arising from sale of goods and rendering of services, and HKAS 11, which specifies the accounting treatment for revenue from construction contracts.

Under HKFRS 15, if control of the goods and services transfers over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation, based on method that best depicts the entity's performance in satisfying that performance obligation. We determined the use of output method (i.e. the value of performance completed to date as a percentage of total transaction price) best depicts our performance in transferring control of the goods or services to our customers.

In particular, the materials consumed by our Group are mainly fitting-out materials such as timber products. Our Group did not maintain any inventory during the Track Record Period mainly because the materials were usually delivered by our suppliers directly to our Group's project sites for immediate consumption on a project-by-project basis. As such, our Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials from the application of HKFRS 15 is considered to be insignificant.

In addition, we also assessed the use of input method would not significantly affect the timing of revenue recognition when comparing to the output method (i.e. appraisals of results achieved).

Our Directors consider that the adoption of HKFRS 15 did not have significant impact on our financial position and performance when compared to that of HKAS 18 and HKAS 11 during the Track Record Period.

Impairment of receivables

Provision for expected credit loss is made when our Group will not collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision reflects either 12-month expected credit losses, or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk. Judgement has been applied in determining the level of provision for expected credit losses, taking into account the credit risk characteristics of debtors and the likelihood of recovery assessed on a combination of collective and individual bases as relevant. While provisions are considered to be appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of provisions recorded and consequently on the charge or credit to profit or loss.

Adoption of HKFRS 9 by our Group

During the four months ended 31 July 2018, our Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses for financial assets, contract assets and other items subject to expected credit losses assessment, and (iii) general hedge accounting.

Our Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018 determined under HKFRS 9. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 (determined under HKFRS 9) are recognised in the opening retained earnings as at 1 April 2018, without restating the financial information for the years ended 31 March 2016, 2017 and 2018.

There were no financial liabilities which our Group had previously designated as at fair value through profit or loss or measured at amortised cost under HKAS 39 that were subject to reclassification, or which our Group has elected to reclassify upon the application of HKFRS 9.

Our Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected credit losses for all trade receivables and contract assets. To measure the expected credit losses, the trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Our Group applies the HKFRS 9 general approach to measure expected credit losses on retention receivables and deposits and other receivables. Our Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-month expected credit losses, since there has not been a significant increase in credit risk since initial recognition for retention receivables and deposits and other receivables. The expected credit losses for bank balances is insignificant because such assets are placed in banks with good reputation and there has been no recent history of default in relation to these banks.

As at 1 April 2018, the additional credit loss allowance of approximately HK$125,000, together with the recognition of the corresponding deferred tax assets of approximately HK$21,000, totalling approximately HK$104,000 has been recognised against retained earnings as at 1 April 2018. The additional loss allowance is charged against the respective asset.

Our Directors consider that the adoption of HKFRS 9 did not have significant impact on our financial position and performance when compared to that of HKAS 39 during the Track Record Period.

SUMMARY OF RESULTS OF OPERATIONS

The combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the accountants' report set out in Appendix I to this document:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	240,149	346,391	560,283	167,313	209,538
Direct costs	(216,377)	(304,154)	(498,849)	(150,946)	(185,119)
Gross profit	23,772	42,237	61,434	16,367	24,419
Other income and gains/(losses), net	94	(7)	56	38	(12)
Administrative and other operating expenses	(8,234)	(8,220)	(12,912)	(2,438)	(11,562)
Finance costs	(1,205)	(961)	(1,657)	(717)	(600)
Profit before income tax	14,427	33,049	46,921	13,250	12,245
Income tax expense	(2,567)	(5,910)	(8,327)	(2,207)	(2,936)
Profit and total comprehensive income for the year/period attributable to owners of the Company	11,860	27,139	38,594	11,043	9,309

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was derived from (i) the provision of fitting-out services; and (ii) the supply of fitting-out materials. For detailed breakdowns of our revenue during the Track Record Period by our business operations, property type (residential or non-residential), customers type, number of fitting-out projects by range of revenue recognised, please refer to the sections headed "Business – Overview" and "Business – Our projects undertaken during the Track Record Period" in this document.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of the change in the amount of our revenue during the Track Record Period.

Direct costs

The table below sets forth a breakdown of our direct costs during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2017		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Subcontracting charges	134,512	62.2	203,076	66.8	276,886	55.5	82,923	54.9	121,378	65.6
Direct materials	69,263	32.0	82,561	27.1	192,740	38.6	57,279	38.0	53,239	28.8
Staff costs	9,789	4.5	16,401	5.4	26,944	5.4	9,622	6.4	10,037	5.4
Rental of machinery and equipment	954	0.4	45	0.0	55	0.0	22	0.0	–	–
Other direct costs	1,859	0.9	2,071	0.7	2,224	0.5	1,100	0.7	465	0.2
Total	216,377	100.0	304,154	100.0	498,849	100.0	150,946	100.0	185,119	100.0

Our direct costs during the Track Record Period comprised:

(a) subcontracting charges, which are costs for engaging subcontractors for performing certain fitting-out services undertaken by us such as ceiling, painting, metal works, and installation of built-in furniture, timber flooring, kitchen cabinetries and timber doors;

(b) direct materials, which mainly represent costs for purchasing materials used for our fitting-out services and supply of fitting-out materials such as finished furniture products, timber products, glass and metal;

(c) staff costs, which are salaries and benefits provided to our staff who are directly involved in carrying out our fitting-out services;

(d) rental of machinery and equipment, which are rental expenses for scaffold used at our fitting-out works sites;

(e) other direct costs, which include various miscellaneous expenses such as transportation fee, safety consultancy fee and insurance premiums for certain of our fitting-out services projects.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our direct costs.

Other income and gains/(losses), net

The table below sets forth a breakdown of our other income and gains/(losses), net during the Track Record Period:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	–	–	2	–	–
Net foreign exchange gains/(losses), net	75	(7)	22	38	(12)
Sundry income	19	–	32	–	–
Total	94	(7)	56	38	(12)

Our other income and gains/(losses), net during the Track Record Period mainly comprised:

(a) bank interest income, which represented interests earned on bank deposits during FY2017/18; and

(b) net foreign exchange gains/(losses), net, which mainly represented realised exchange differences arising from the purchase of fitting-out materials which were denominated in RMB.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our other income and gains/(losses), net.

Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses during the Track Record Period:

	FY2015/16		FY2016/17		FY2017/18		Four months ended 31 July 2017		Four months ended 31 July 2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Auditors' remuneration	60	0.7	246	3.0	246	1.9	82	3.4	33	0.3
Bank charges	115	1.4	182	2.2	202	1.6	74	3.0	143	1.2
Computer software expenses	154	1.9	259	3.2	446	3.5	124	5.1	232	2.0
Depreciation	326	4.0	435	5.3	436	3.4	145	5.9	147	1.3
Entertainment and travelling	647	7.9	680	8.3	1,189	9.2	338	13.9	565	4.9
Insurance	176	2.1	183	2.2	248	1.9	46	1.9	59	0.5
[REDACTED]										
Repair and maintenance	272	3.3	82	1.0	308	2.4	103	4.2	31	0.3
Staff costs, including directors' remuneration	5,199	63.1	4,832	58.8	5,247	40.6	1,128	46.3	1,728	15.0
Rental of office premises	432	5.3	432	5.2	432	3.3	134	5.5	176	1.5
Utilities and telecommunication expenses	109	1.3	123	1.5	148	1.1	53	2.2	58	0.5
Other expenses	744	9.0	766	9.3	477	3.7	211	8.6	385	3.3
	8,234	100.0	8,220	100.0	12,912	100.0	2,438	100.0	11,562	100.0

Our administrative and other operating expenses during the Track Record Period comprised:

(a) auditors' remuneration, which are fees to our auditors;

(b) bank charges, which are mainly annual renewal and handling fees for banking facilities maintained;

(c) computer software expenses, which represent expenses in relation to computer software used in our office;

(d) depreciation, which include depreciation of furniture and fixtures and motor vehicle;

(e) entertainment and travelling expenses, which mainly represent costs in relation to the relationship building with existing and potential customers;

(f) insurance, which represent insurance premiums for insurance policies that are not directly related to our fitting-out projects;

(g) **[REDACTED]**, which represent expenses in relation to the **[REDACTED]**;

(h) repair and maintenance expenses, which mainly represent expenses incurred for general office maintenance and motor vehicle maintenance;

(i) staff costs (including directors' remuneration), which include salaries and benefits provided to our Directors and our management, administrative and back office staff;

(j) rental of office premises, which represented operating lease payments for our office;

(k) utilities and telecommunication expenses, which mainly include costs of electricity, water and telephone, etc.; and

(l) other expenses, which mainly include expenses incurred for stationary and printing.

Finance costs

Our finance costs during the Track Record Period represented interest expenses on bank borrowings and finance leases of our motor vehicles, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period except for the four months ended 31 July 2018, the two-tiered profits tax rates regime will be applicable to a subsidiary of the Group for its annual reporting period beginning on or after 1 April 2018.

The taxation for the Track Record Period can be reconciled to the profit before income tax as follows:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	14,427	33,049	46,921	13,250	12,245
Calculated at the statutory tax rate	2,380	5,453	7,742	2,186	2,020
Entity subject to lower statutory tax rate	–	–	–	–	(165)
Tax effect of:					
Expenses not deductible for tax purposes	7	6	583	–	1,324
Tax losses not recognised	279	466	116	48	–
Utilisation of previous unrecognised tax losses	–	–	(80)	(4)	(265)
Temporary differences not recognised	(59)	5	26	7	22
Tax concession	(40)	(20)	(60)	(30)	–
Income tax expense for the year/period	2,567	5,910	8,327	2,207	2,936

Despite the respective amounts of income tax expense provided for each of FY2015/16, FY2016/17 and FY2017/18 as shown in the above table, we recorded cash outflow for tax payment of approximately HK$573,000, HK$1,862,000 and HK$12,908,000 during the respective years. This is because of (i) the timing difference between making tax provision and making actual tax payment as explained below; and (ii) the difference arising from the application of HKAS 11 and HKFRS 15, as the income tax expenses for each of FY2015/16, FY2016/17 and FY2017/18 as shown in the accountants' report set out in Appendix I to this document were provided based on our Group's accounts prepared with the adoption of HKFRS 15, while the amounts of actual tax payments were determined based on our subsidiaries' accounts which were prepared based on HKAS 11.

Pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) and according to the information pamphlet titled "A Brief Guide to Taxes Administered by the Inland Revenue Department 2015–2016" published by the Inland Revenue Department of the

Government, profits tax is charged on the assessable profits for a year of assessment (which refers to the period of 12 months commencing on 1 April in any year). The assessable profits for a business which makes up annual accounts are calculated on the profits of the year of account ending in the year of assessment. In addition, in the year of assessment itself, a provisional tax is to be paid based on the profits assessed for the preceding year.

As such, for our Group (whose annual accounts are made up to 31 March each year), after each year of assessment (for example, after the year of assessment of 1 April 2014 to 31 March 2015), our Group would file profits tax return for its financial year with the year-end date falling within that year of assessment (i.e., the financial year ended 31 March 2015 in this example). Actual tax payment is usually made a few months after the filing of the profits tax return. Therefore, the actual profits tax payment made during FY2015/16 were in relation to financial year prior to the Track Record Period.

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year divided by profit before income tax) were as follows:

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
				(unaudited)	
Effective tax rate	17.8%	17.9%	17.7%	16.7%	24.0%

Our effective tax rates for FY2015/16, FY2016/17 and FY2017/18 remained relatively stable, while the relatively higher effective tax rate for the four months ended 31 July 2018 was mainly due to the tax effect of non-deductible **[REDACTED]** expense of approximately HK$**[REDACTED]** million incurred during the four months ended 31 July 2018.

Set out below is the reconciliation of movements of our Group's current tax liabilities, income tax expense and income tax payment during the Track Record Period:

	Notes	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening current tax liabilities as at beginning of the year/period		498	2,492	6,540	1,959
Current income tax expense for the year/period	1 (i), (ii) and (iii)	2,567	5,910	8,327	2,949
Tax refund for FY2014/15		41	–	–	–
Tax paid for FY2015/16	1 (i)	(614)	(613)	–	–
Tax paid for FY2016/17	1 (ii)	–	(1,249)	(5,810)	–
Tax paid for FY2017/18	1 (iii)	–	–	(7,098)	–
Tax paid for the four months ended 31 July 2018		–	–	–	–
Closing current tax liabilities as at end of the year/period	2	2,492	6,540	1,959	4,908
Actual net cash outflows for tax payment	3	(573)	(1,862)	(12,908)	–

Notes:

1. Income tax expense for the year (as shown in our combined statements of profit or loss and other comprehensive income) comprises the following:

   (i) For FY2015/16, income tax expense of approximately HK$2,567,000 comprises:

      (a) provisional tax of approximately HK$614,000 paid during FY2015/16 in respect of the same financial year (i.e. FY2015/16);

      (b) further income tax of approximately HK$613,000 paid during FY2016/17 in respect of FY2015/16 upon final assessment; and

      (c) additional tax provision of approximately HK$1,340,000 arising from the adoption of HKFRS 15 for our combined financial statements;

   (ii) For FY2016/17, income tax expense of approximately HK$5,910,000 comprises:

      (a) provisional tax of approximately HK$1,249,000 paid during FY2016/17 in respect of the same financial year (i.e. FY2016/17);

(b) further income tax of approximately HK$5,810,000 paid during FY2017/18 in respect of FY2016/17 upon final assessment; and

(c) reduced by a tax under-provision of approximately HK$1,149,000 arising from the adoption of HKFRS 15 for our combined financial statements;

(iii) For FY2017/18, income tax expense of approximately HK$8,327,000 comprises:

(a) provisional tax of approximately HK$7,098,000 paid during FY2017/18 in respect of the same financial year (i.e. FY2017/18);

(b) further income tax of approximately HK$1,423,000 estimated to be paid during FY2018/19 in respect of FY2017/18 based on our subsidiaries' accounts for FY2017/18 which were prepared based on HKFRS 15; and

(c) reduced by a tax under-provision of approximately HK$194,000 arising from the effect of adoption of HKFRS 15 for our combined financial statements.

2. Closing current tax liabilities as at the end of the year are as shown in our combined statements of financial position set out in Appendix I to this document.

3. Actual net cash outflows for tax payment during the year are as shown in our combined statements of cash flows set out in Appendix I to this document and comprise the following:

(i) during FY2015/16, the aggregate of the tax refund of approximately HK$41,000 and the tax payment of approximately HK$614,000 as shown in the above table;

(ii) during FY2016/17, the aggregate of the tax payments of approximately HK$613,000 and HK$1,249,000 as shown in the above table;

(iii) during FY2017/18, the aggregate of the tax payments of approximately HK$5,810,000 and HK$7,098,000 as shown in the above table; and

(iv) during the four months ended 31 July 2018, no tax payment has been made.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2018 compared with four months ended 31 July 2017

Revenue

Our revenue increased from approximately HK$167.3 million for the four months ended 31 July 2017 to approximately HK$209.5 million for the four months ended 31 July 2018, representing an increase of 25.2%. Such increase was mainly because:

(i) There was an increase in the number of sizeable fitting-out services projects with revenue contribution of HK$10 million or above during the four months ended 31 July 2018, as demonstrated in the below table:

	Four months ended 31 July 2017	**Four months ended 31 July 2018**
	Number of projects	*Number of projects*
Revenue recognised		
HK$10 million or above	4	6
HK$1 million to below HK$10 million	13	18
Below HK$1 million	27	20
	44	44

(ii) In particular, the increase in the revenue was mainly driven by the revenue contributed by some of our major fitting-out services projects undertaken or commenced during the four months ended 31 July 2018, including the fitting-out services for (i) residential properties of a private housing estate located in Nam Cheong, which contributed revenue of approximately HK$37.1 million (i.e. Project 13 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for the four months ended 31 July 2018); and (ii) a shopping mall located in Tsim Sha Tsui, which contributed revenue of approximately HK$13.5 million (i.e. Project 14 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for the four months ended 31 July 2018), while these projects were not yet awarded or commenced during the four months ended 31 July 2017.

(iii) In March 2018 and June 2018, we were successfully granted an increase in our banking facilities limit given the increasing trend in our business and financial performance. Our aggregate credit limit under our banking facilities increased from approximately HK$31.7 million as at 31 March 2017 to approximately HK$43.2

million as at 31 March 2018 and further increased to approximately HK$45.6 million as at 31 July 2018. Such increase in our banking facilities limit enabled us to undertake more contract works, as our Directors consider that undertaking more works would require more available financial resources for upfront project costs and general working capital needs. The increase in the amount of works undertaken during the year (as enabled by the increase in our available banking facilities), including in particular works in relation to projects mentioned in paragraph (ii) above, contributed to the increase in our revenue during the four months ended 31 July 2018.

Direct Costs

Our direct costs increased from approximately HK$150.9 million for the four months ended 31 July 2017 to approximately HK$185.1 million for the four months ended 31 July 2018, representing an increase of 22.7%, which was lower than the increase in our revenue by approximately 2.5 percentage points (and thus resulted in our slightly higher gross profit margin for the four months ended 31 July 2018). Our direct costs mainly include subcontracting charges, direct material costs, staff costs, rental of machinery and equipment, and others. These costs may fluctuate substantially from project to project, because depending on the scope of fitting-out services to be performed or the number of residential units required for fitting-out services to be performed, the volume and/or types of fitting-out materials used may fluctuate, resulting in substantial fluctuations in the proportions of direct costs from project to project.

The following is a discussion of the changes in the key components of our direct costs in the four months ended 31 July 2017 compared to the four months ended 31 July 2018:

(i) Our subcontracting charges increased from approximately HK$82.9 million for the four months ended 31 July 2017 to approximately HK$121.4 million for the four months ended 31 July 2018, representing an increase of approximately 46.4%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of our growth in business during the four months ended 31 July 2018 as illustrated by the increase in our revenue as discussed above, in particular the increase in the number of relatively larger scale projects undertaken during the four months ended 31 July 2018.

(ii) Our direct material costs decreased from approximately HK$57.3 million for the four months ended 31 July 2017 to approximately HK$53.2 million for the four months ended 31 July 2018, representing a decrease of approximately 7.2%. Such decrease was mainly due to the increase in our use of subcontractors which bore their own material costs during the four months ended 31 July 2018.

(iii) Our staff costs increased from approximately HK$9.6 million for the four months ended 31 July 2017 to approximately HK$10.0 million for the four months ended 31 July 2018, representing an increase of approximately 4.2%. The less-than-proportionate increase in our staff costs was mainly due to the increase in the use of subcontractors during the four months ended 31 July 2018 compared with the four months ended 31 July 2017 as explained in (i) above.

Gross profit and gross profit margin

Our gross profit and gross profit margin for the four months ended 31 July 2017 and the four months ended 31 July 2018 respectively were as follows:

	Four months ended 31 July 2017	**Four months ended 31 July 2018**
Revenue *(HK$'000)*	167,313	209,538
Gross profit *(HK$'000)*	16,367	24,419
Gross profit margin	9.8%	11.7%

Our gross profit amounted to approximately HK$16.4 million and approximately HK$24.4 million for the four months ended 31 July 2017 and the four months ended 31 July 2018 respectively, representing an increase of approximately 49.2%, primarily due to the increase in revenue as discussed above. Our gross profit margin for the four months ended 31 July 2018 was approximately 11.7%, which was generally in line with the gross profit margin for FY2017/18 of approximately 11.0% as majority of the projects with significant revenue contribution for the four months ended 31 July 2018 were brought forward from FY2017/18.

Other income and gains/(losses), net

Our other income and gains/(losses), net decreased from a net income of approximately HK$38,000 for the four months ended 31 July 2017 to a net loss of approximately HK$12,000 for the four months ended 31 July 2018. Such difference was mainly because net foreign exchange gains of approximately HK$38,000 was recognised during the four months ended 31 July 2017 while net foreign exchange losses of approximately HK$12,000 was recognised during the four months ended 31 July 2018.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK$2.4 million for the four months ended 31 July 2017 to approximately HK$11.6 million for the four months ended 31 July 2018, representing an increase of approximately 383.3%. Such significant increase was mainly due to (i) non-recurring **[REDACTED]** of approximately HK$**[REDACTED]** million incurred in the four months ended 31 July 2018 (2017: nil); and (ii) the increase in our staff costs as a result of the inclusion of salary and benefits of our financial controller who joined us in November 2017.

Finance costs

Our finance costs remained broadly stable at approximately HK$0.7 million for the four months ended 31 July 2017 and approximately HK$0.6 million for the four months ended 31 July 2018.

Income tax expense

Despite the decrease in our profit before tax from approximately HK$13.3 million for the four months ended 31 July 2017 to approximately HK$12.2 million for the four months ended 31 July 2018, our income tax expense increased from approximately HK$2.2 million for the four months ended 31 July 2017 to approximately HK$2.9 million for the four months ended 31 July 2018 as a result of the tax effect of the non-deductible **[REDACTED]** expense incurred during the four months ended 31 July 2018.

Profit and total comprehensive income for the period

As a result of the aforesaid and in particular the recognition of **[REDACTED]** during the four months ended 31 July 2018 as discussed above, our profit and total comprehensive income for the period decreased from approximately HK$11.0 million for the four months ended 31 July 2017 to approximately HK$9.3 million for the four months ended 31 July 2018, representing a decrease of approximately 15.5%.

FY2017/18 compared with FY2016/17

Revenue

Our revenue increased from approximately HK$346.4 million for FY2016/17 to approximately HK$560.3 million for FY2017/18, representing an increase of 61.7%. The increase in our total revenue was mainly attributable to the increase in revenue of our fitting-out services which contributed to approximately 99.9% and 100.0% of our total revenue for each of FY2016/17 and FY2017/18 and such increase was because:

(i) The increase in the number of sizeable fitting-out services projects with revenue contribution of HK$50 million or above in FY2017/18, as demonstrated in the below table:

	FY2016/17 *Number of projects*	**FY2017/18** *Number of projects*
Revenue recognised		
HK$50 million or above	1	3
HK$10 million to below HK$50 million	12	9
HK$1 million to below HK$10 million	18	17
Below HK$1 million	38	35
Total	69	64

(ii) In particular, the increase in the revenue was mainly driven by the revenue contributed by some of our major fitting-out services projects undertaken or commenced during FY2017/18, included the fitting-out services for (i) residential properties of a private housing estate located in Nam Cheong, which contributed revenue of approximately HK$252.8 million (i.e. Project 9 and Project 8 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for FY2017/18); and (ii) low density residential properties located in Kau To Shan, which contributed revenue of approximately HK$83.2 million (i.e. Project 10 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for FY2017/18). Our Directors are of the view that the contract sum for these projects were higher than the previous residential properties projects as (a) the unit rate of the fitting-out materials used under these projects were higher; and (b) the number of residential units of Project 9 and Project 8 that are required for fitting-out services to be performed were higher.

Further, we successfully secured a series of sizeable fitting-out services projects (i.e. Projects 8, 9, 11, 13 and 16, with Projects 8, 9 and 11 being our five largest fitting-out projects for FY2017/18 in terms of revenue contribution) for the same residential development (i.e. a residential development in Nam Cheong) from Customer A, our largest customer during the Track Record Period. According to Customer A, the residential development in Nam Cheong was one of its largest residential development projects in recent years in which more micro-residential units (residential units of approximately 300 sq.ft.) were developed resulting in a higher number of units which required fitting-out services. According to Customer A, it is common for them to separate a large residential development project into a series of tenders for different type of suppliers or subcontractors. However, according to Customer A, in order to enhance the efficiency in project management, they are inclined to award the series of tenders to the same contractor which, upon their internal assessment, is experienced and capable of managing such series of tenders and able to deliver on time with quality. Our Directors believe that these factors, coupled with our more competitive pricing strategy for FY2017/18 in an attempt to secure more new projects as discussed in the section headed "Business – Our principal business and business model – Operation flow – Award of contract" in this document, have contributed to our success in securing these sizeable projects. As a result of revenue being recognised from these sizeable projects for FY2017/18, our revenue significantly increased for such period as compared to FY2016/17.

(iii) In March 2016 and March 2017, we were successfully granted an increase in our banking facilities limit given the increasing trend in our business and financial performance. Our aggregate credit limit under our banking facilities increased from approximately HK$25.0 million as at 31 March 2016 to approximately HK$31.7 million as at 31 March 2017. Such increase in our banking facilities limit enabled us to undertake more contract works, as our Directors consider that undertaking more works would require more available financial resources for upfront project costs and general working capital needs. The increase in the amount of works undertaken during the year (as enabled by the increase in our available banking facilities), including in particular works in relation to projects mentioned in paragraph (ii) above, contributed to the increase in our revenue during FY2016/17.

Direct costs

Our direct costs increased from approximately HK$304.2 million for FY2016/17 to approximately HK$498.8 million for FY2017/18, representing an increase of 64.0%, which was higher than the increase in our revenue by approximately 2.3 percentage points (and thus resulted in our slightly lower gross profit margin for FY2017/18). Our direct costs mainly include subcontracting charges, direct material costs, staff costs, rental of machinery and equipment, and others. These costs may fluctuate substantially from project to project, because depending on the scope of fitting-out services to be performed or the number of residential units required for fitting-out services to be performed, the volume and/or types of fitting-out materials used may fluctuate, resulting in substantial fluctuations in the proportions of direct costs from project to project.

The following is a discussion of the changes in the key components of our direct costs in FY2016/17 compared to FY2017/18:

(i) Our subcontracting charges increased from approximately HK$203.1 million for FY2016/17 to approximately HK$276.9 million for FY2017/18, representing an increase of approximately 36.3%. Such increase was mainly attributable to several relatively sizeable projects that we undertook or commenced during FY2017/18 (i.e. Project 8, Project 9 and Project 10 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for FY2017/18).

(ii) Our direct materials costs increased from approximately HK$82.6 million for FY2016/17 to approximately HK$192.7 million for FY2017/18, representing an increase of approximately 133.3%. Such increase was mainly due to the increase in volume and different types of fitting-out materials used for projects in FY2017/18 as compared to that in FY2016/17. In respect of Project 8, Project 9 and Project 10 that we undertook or commenced during FY2017/18, the direct material costs increased as a result of (a) additional types of fitting-out materials required such as wardrobes and shower cubicles; and (b) the higher number of residential units that required fitting-out services to be performed as compared to other projects.

(iii) Our staff costs increased from approximately HK$16.4 million for FY2016/17 to approximately HK$26.9 million for FY2017/18, representing an increase of approximately 64.0%. Such increase was mainly due to the increase in our project management and safety supervision personnel to cope with our increased workload in FY2017/18 compared to FY2016/17.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2016/17 and FY2017/18 respectively were as follows:

	FY2016/17	**FY2017/18**
Revenue *(HK$'000)*	346,391	560,283
Gross profit *(HK$'000)*	42,237	61,434
Gross profit margin	12.2%	11.0%

Our gross profit amounted to approximately HK$42.2 million and approximately HK$61.4 million for FY2016/17 and FY2017/18 respectively, representing an increase of approximately 45.5%, primarily due to the increase in revenue as discussed above. Our gross profit margin remained broadly stable at approximately 12.2% for FY2016/17 and approximately 11.0% for FY2017/18.

Other income and gains/(losses), net

Our other income and gains/(losses), net changed from a net loss of approximately HK$7,000 for FY2016/17 to a net gain of approximately HK$56,000 for FY2017/18. Such difference was mainly because net foreign exchange losses of HK$7,000 was recognised in FY2016/17 while gains of HK$22,000 was recognised in FY2017/18.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately HK$8.2 million for FY2016/17 to approximately HK$12.9 million for FY2017/18, representing an increase of approximately 57.3%. Such increase was mainly due to (i) non-recurring **[REDACTED]** of approximately HK$**[REDACTED]** million incurred in FY2017/18 (FY2016/17: nil); and (ii) the increase in our staff costs as a result of the increase in salary and benefits paid to our Directors and the inclusion of salary and benefits of our financial controller who joined us in November 2017 during FY2017/18.

Finance costs

Our finance costs increased from approximately HK$1.0 million for FY2016/17 to approximately HK$1.7 million for FY2017/18, which was primarily due to the increase in the proceeds from the bank borrowings from approximately HK$113.4 million for FY2016/17 to approximately HK$124.8 million for FY2017/18 as shown under "Cash flows from financing activities".

Income tax expense

Despite the recognition of **[REDACTED]** for FY2017/18, our profit before tax increased from approximately HK$33.0 million for FY2016/17 to approximately HK$46.9 million for FY2017/18 as a result of all of the aforesaid and in particular the increase in revenue and gross profit as well as the expenses in relation to the **[REDACTED]** which were not deductible for tax purposes.

Our income tax expense increased from approximately HK$5.9 million for FY2016/17 to approximately HK$8.3 million for FY2017/18 as a result of the combined effect of the increase in profit before tax and the tax effect of the non-deductible **[REDACTED]** expense incurred in FY2017/18.

Profit and total comprehensive income for the year

Despite the recognition of **[REDACTED]** expenses in FY2017/18 and the tax effect of the non-deductible **[REDACTED]** expenses as explained above, our profit and total comprehensive income increased from approximately HK$27.1 million for FY2016/17 to approximately HK$38.6 million for FY2017/18, representing an increase of approximately 42.4% as a result of all of the aforesaid and in particular the increase in revenue and gross profit.

FY2016/17 compared with FY2015/16

Revenue

Our revenue increased from approximately HK$240.1 million for FY2015/16 to approximately HK$346.4 million for FY2016/17, representing an increase of 44.3%. The increase in our total revenue was mainly attributable to the increase in revenue of our fitting-out services which contributed to approximately 99.4% and 99.9% of our total revenue for each of FY2015/16 and FY2016/17 and such increase in revenue was because:

(i) The increase in the number of relatively sizeable fitting-out services projects with revenue contribution of HK$1 million to below HK$50 million in FY2016/17, as demonstrated in the below table:

	FY2015/16 *Number of projects*	**FY2016/17** *Number of projects*
Revenue recognised		
HK$50 million or above	1	1
HK$10 million to below HK$50 million	7	12
HK$1 million to below HK$10 million	11	18
Below HK$1 million	51	38
Total	70	69

(ii) In particular, the increase in the revenue was mainly driven by the revenue contributed by some of our major fitting-out works projects undertaken or commenced during FY2016/17, included the fitting-out services for (i) low density residential properties located in Clearwater Bay, Sai Kung, which contributed revenue of approximately HK$82.3 million (i.e. Project 2 and Project 6 under the table of "Business – Our projects undertaken during the Track Record Period - Major projects" for FY2016/17); and (ii) residential properties of a private housing estate located in Yuen Long, which contributed revenue of approximately HK$26.4 million (i.e. Project 7 under the table of "Business – Our projects undertaken during the Track Record Period – Major projects" for FY2016/17).

Further, we successfully secured a series of sizeable fitting-out services projects, i.e. Project 2 and Project 6 from Customer B for the same residential development, and Project 8 and Project 9 from Customer A for the residential development in Nam Cheong, with Project 2, 6 and 8 being our five largest fitting-out projects for FY2016/17 in terms of revenue contribution, due to similar reasons as explained above under the increase in revenue for FY2017/18.

(iii) In March 2016 and March 2017, we were successfully granted an increase in our banking facilities limit given the increasing trend in our business and financial performance. Our aggregate credit limit under our banking facilities increased from approximately HK$25.0 million as at 31 March 2016 to approximately HK$31.7 million as at 31 March 2017. Such increase in our banking facilities limit enabled us to undertake more contract works, as our Directors consider that undertaking more works would require more available financial resources for upfront project costs and general working capital needs. The increase in the amount of works undertaken during the year (as enabled by the increase in our available banking facilities), including in particular works in relation to projects mentioned in paragraph (ii) above, contributed to the increase in our revenue during FY2016/17.

Direct costs

Our direct costs increased from approximately HK$216.4 million for FY2015/16 to approximately HK$304.2 million for FY2016/17, representing an increase of 40.6%, which was lower than the increase in our revenue by approximately 3.7 percentage points (and thus resulted in our higher gross profit margin). Our direct costs mainly include subcontracting charges, direct material costs, staff costs, rental of machinery and equipment, and others. These costs may fluctuate substantially from project to project, because depending on the scope of fitting-out services to be performed or the number of residential units required for fitting-out services to be performed, the volume and/or types of fitting-out materials used may fluctuate, resulting in substantial fluctuations in the proportions of direct costs from project to project.

The following is a discussion of the changes in the key components of our direct costs in FY2015/16 compared to FY2016/17:

(i) Our subcontracting charges increased from approximately HK$134.5 million for FY2015/16 to approximately HK$203.1 million for FY2016/17, representing an increase of approximately 51.0%. Such increase was mainly due to the increase in amount of works outsourced to subcontractors as a result of our growth in business in

FY2016/17 as illustrated by the increase in our revenue as discussed above, in particular the increase in the number of relatively larger scale projects undertaken during FY2016/17.

(ii) Our direct materials costs increased from approximately HK$69.3 million for FY2015/16 to approximately HK$82.6 million for FY2016/17, representing an increase of approximately 19.2%. The less-than-proportionate increase in our direct material costs was mainly due to the increase in volume and types of fitting-out materials used for projects in FY2016/17 as compared to that in FY2015/16, as we benefited from our price bargaining power over our suppliers with the increase in our bulk purchase volume. In respect of Project 2 and Project 6 that we undertook during FY2016/17, low density residential properties generally required less direct materials such as wooden furniture and timber doors, which was mainly due to the number of units are lower as compared to other projects.

(iii) Our staff costs increased from approximately HK$9.8 million for FY2015/16 to approximately HK$16.4 million for FY2016/17, representing an increase of approximately 67.3%. Such increase was mainly due to the increase in our project management and safety supervision personnel to cope with our increased workload in FY2016/17 compared to FY2015/16.

Gross profit and gross profit margin

Our gross profit and gross profit margin for FY2015/16 and FY2016/17 respectively were as follows:

	FY2015/16	**FY2016/17**
Revenue *(HK$'000)*	240,149	346,391
Gross profit *(HK$'000)*	23,772	42,237
Gross profit margin	9.9%	12.2%

Our gross profit amounted to approximately HK$23.8 million and approximately HK$42.2 million for FY2015/16 and FY2016/17 respectively, representing an increase of approximately 77.3%, and our gross profit margin increased from approximately 9.9% in FY2015/16 to approximately 12.2% in FY2016/17. Our Directors are of the view that our Group benefited from our price bargaining power over our suppliers with the increase in our bulk purchase volume which enabled us to achieve higher gross profit margin.

Other income and gains/(losses), net

Our other income and gains/(losses), net changed from a net income of approximately HK$94,000 for FY2015/16 to a net loss of approximately HK$7,000 for FY2016/17. Such difference was mainly because net foreign exchange gains of approximately HK$75,000 was recognised in FY2015/16 while losses of approximately HK$7,000 was recognised in FY2016/17.

Administrative and other operating expenses

Our administrative and other operating expenses amounted to approximately HK$8.2 million for FY2015/16 and approximately HK$8.2 million for FY2016/17 respectively, which remained relatively stable.

Finance costs

Our finance costs decreased from approximately HK$1.2 million for FY2015/16 to approximately HK$1.0 million for FY2016/17, which was primarily due to the decrease in effective interest rates of bank borrowings for FY2016/17 as compared to FY2015/16.

Income tax expense

For each of FY2015/16 and FY2016/17, our income tax expenses amounted to approximately HK$2.6 million and HK$5.9 million respectively, representing an increase of approximately 126.9%. Such increase was primarily due to the increase in our profit before tax from approximately HK$14.4 million in FY2015/16 to approximately HK$33.0 million in FY2016/17, representing an increase of approximately 129.2%, mainly due to our increases in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK$11.9 million in FY2015/16 to approximately HK$27.1 million in FY2016/17, representing an increase of approximately 127.7%.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the **[REDACTED]** from the **[REDACTED]** to finance a portion of our liquidity requirements.

As at 31 October 2018, being the most recent practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately HK$32.0 million and we had banking facilities of approximately HK$9.0 million available for cash drawdown.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash from operating activities	20,234	4,610	5,487	6,288	(7,412)
Net cash used in investing activities	–	(2)	(6)	–	(9)
Net cash (used in)/generated from financing activities	(13,611)	13,819	(8,875)	2,148	11,145
Net increase/(decrease) in cash and cash equivalents	6,623	18,427	(3,394)	8,436	3,724
Cash and cash equivalents at beginning of year/period	5,110	11,733	30,160	30,160	26,766
Cash and cash equivalents at end of year/period	11,733	30,160	26,766	38,596	30,490

Cash flows from operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of fitting-out services, whereas our operating cash outflows mainly includes payment for purchase of direct materials, subcontracting charges, staff costs, as well as other working capital needs. Net cash generated from operating activities primarily consisted of profit before income tax adjusted for depreciation, interest expenses and interest income and the effect of changes in working capital such as changes in contract assets, trade and other receivables, amount due from/to a director, amounts due from/to related companies, contract liabilities, trade and other payables, and income tax paid.

The following table sets forth a reconciliation of our profit before income tax to net cash from operating activities:

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before income tax	14,427	33,049	46,921	13,250	12,245
Adjustments for:					
Depreciation	326	435	436	145	147
Provision for loss allowance on trade receivables	–	–	–	–	74
Provision for loss allowance on contract assets	–	–	–	–	8
Interest expenses	1,205	961	1,657	717	600
Interest income	–	–	(2)	–	–
Operating profit before changes in working capital	15,958	34,445	49,012	14,112	13,074
(Increase)/Decrease in contract assets	(17,914)	(5,214)	(26,733)	17,864	2,705
Increase in trade and other receivables	(7,161)	(13,338)	(1,305)	(14,345)	(17,537)
(Increase)/Decrease in amount due from a director	–	(11,748)	11,748	(414)	–
(Increase)/Decrease in amounts due from related companies	(6,989)	20,199	–	–	–
(Decrease)/Increase in contract liabilities	–	–	16,009	–	(15,586)
Increase/(Decrease) in trade and other payables	37,682	(9,820)	(31,629)	(10,928)	11,225
(Decrease)/Increase in amount due to a director	(769)	(8,052)	1,293	–	(1,293)
Cash generated from/(used in) operations	20,807	6,472	18,395	6,289	(7,412)
Tax paid	(573)	(1,862)	(12,908)	(1)	–
Net cash from/(used in) operating activities	20,234	4,610	5,487	6,288	(7,412)

For FY2015/16, we recorded profit before income tax of approximately HK$14.4 million and net cash from operating activities of approximately HK$20.2 million. The difference was mainly due to the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 March 2016.

For FY2016/17, we recorded profit before income tax of approximately HK$33.0 million and net cash from operating activities of approximately HK$4.6 million. The difference was mainly due to (i) the cash advances by us to our Director (i.e. Mr. Man) for his personal use; and (ii) substantial net cash outflows for working capital needs due to major fitting-out projects undertaken or commenced during the year.

For FY2017/18, we recorded profit before income tax of approximately HK$46.9 million and net cash from operating activities of approximately HK$5.5 million. The difference was mainly due to substantial net cash outflows for working capital needs due to major fitting-out projects undertaken or commenced during the year, as well as substantial cash outflow for tax payment during the year.

For the four months ended 31 July 2018, we recorded profit before income tax of approximately HK$12.2 million and net cash used in operating activities of approximately HK$7.4 million. The difference was mainly due to (i) the repayment of amount due to a director during the four months ended 31 July 2018 and the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers as at 31 July 2018; and (ii) the contract liabilities for Project 13, Project 15 and Project 16 utilised during the four months ended 31 July 2018.

Cash flows from investing activities

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest received	–	–	2	–	–
Purchases of property, plant and equipment	–	(2)	(8)	–	(9)
Net cash used in investing activities	–	(2)	(6)	–	(9)

During the Track Record Period, our cash inflows from investing activities includes interest received, whereas our cash outflows from investing activities primarily include cash used in the purchase of property, plant and equipment.

For FY2015/16, there was no cash generated from or used in investing activities. For FY2016/17 and FY2017/18, we recorded net cash used in investing activities of approximately HK$2,000 and HK$6,000 respectively, which was primarily attributable to purchase of furniture and fixtures. For the four months ended 31 July 2018, we recorded net cash used in investing activities of approximately HK$9,000, which was primarily attributable to purchase of office equipment.

Cash flows from financing activities

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest paid	(1,205)	(961)	(1,657)	(717)	(600)
Proceeds from bank borrowings	82,671	113,393	124,776	53,256	45,965
Repayments of bank borrowings	(94,477)	(98,198)	(121,565)	(50,250)	(34,220)
Repayments of finance leases liability	(600)	(415)	(429)	(141)	–
Dividends paid	–	–	(10,000)	–	–
Net cash (used in)/generated from financing activities	(13,611)	13,819	(8,875)	2,148	11,145

During the Track Record Period, our cash outflows from financing activities includes interest paid, repayments of bank borrowings, repayments of finance leases liability and dividends paid.

For FY2015/16, we recorded net cash used in financing activities of approximately HK$13.6 million, which was mainly attributable to the repayments of bank borrowings, partially offset by the proceeds from bank borrowings.

For FY2016/17, we recorded net cash generated from financing activities of approximately HK$13.8 million, which was mainly attributable to the proceeds from bank borrowings, partially offset by the repayments of bank borrowings.

For FY2017/18, we recorded net cash used in financing activities of approximately HK$8.9 million, which was primarily due to the dividends paid and the repayments of bank borrowings, partially offset by the proceeds from bank borrowings.

For the four months ended 31 July 2018, we recorded net cash generated from financing activities of approximately HK$11.1 million, which was mainly attributable to the proceeds from bank borrowings, partially offset by the repayment of bank borrowings and interest paid.

Capital expenditures

For each of FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, our Group incurred capital expenditures of approximately HK$1.4 million, HK$2,000 and HK$8,000 and HK$9,000 respectively, as set out below:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Furniture, fixtures and office equipment	–	2	8	9
Motor vehicles	1,444	–	–	–
	1,444	2	8	9

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources and banking facilities presently available to our Group, including our existing cash and cash equivalents, cash generated from our operations, available banking facilities, and the estimated **[REDACTED]** to be received by us from the **[REDACTED]**, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this document.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018	As at 31 October 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current assets					
Contract assets	62,510	67,724	94,457	91,742	85,752
Trade and other receivables	24,479	37,817	39,122	56,462	52,032
Amount due from a director	–	11,748	–	–	–
Amount due from related companies	20,199	–	–	–	–
Income tax recoverable	–	–	–	–	–
Cash and bank balances	11,733	30,160	26,766	30,490	31,978
Total current assets	118,921	147,449	160,345	178,694	169,762
Current liabilities					
Contract liabilities	–	–	16,009	423	423
Trade and other payables	80,167	80,347	38,718	49,943	46,246
Amount due to a director	8,052	–	1,293	–	–
Bank borrowings	15,198	30,393	33,604	45,349	33,448
Finance lease liability	415	429	–	–	–
Current income tax liabilities	2,492	6,540	1,959	4,908	6,386
Total current liabilities	106,324	117,709	91,583	100,623	86,503
Net current assets	12,597	29,740	68,762	78,071	83,259

As at 31 March 2016, 2017 and 2018 and 31 July 2018, our net current assets amounted to approximately HK$12.6 million, approximately HK$29.7 million, approximately HK$68.8 million and approximately HK$78.1 million respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our business growth and our profitable operation during the Track Record Period, with the combined effect of the decrease in our current liabilities.

As at 31 October 2018, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK$83.3 million which was relatively stable as compared with our net current assets as at 31 July 2018.

DISCUSSION ON SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs.

Contract assets and liabilities

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The following table sets out the movement of contract assets and liabilities:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract costs incurred plus recognised profits less recognised losses	604,000	738,155	768,865	1,041,527
Less: Progress billings received and receivables	(541,490)	(671,431)	(674,408)	(949,785)
	62,510	67,724	94,457	91,742
Contract assets	62,510	67,724	94,457	91,752
Less: loss allowance	–	–	–	(10)
Contract assets, net	62,510	67,724	94,457	91,742
Contract liabilities	–	–	(16,009)	(423)
Balance at end of the year	62,510	67,724	78,448	91,319

Our contract assets increased from approximately HK$62.5 million as at 31 March 2016 to approximately HK$67.7 million as at 31 March 2017, and further increased to approximately HK$94.5 million as at 31 March 2018. Our contract assets remained relatively stable at approximately HK$91.7 million as at 31 July 2018. The significant increase from 31 March 2017 to 31 March 2018 was mainly due to the different work progress of Project 8 and Project 9 as at each year end date, with approximately HK$11.9 million contract assets as at 31 March 2017 while approximately HK$56.0 million contract assets as at 31 March 2018 in relation to these two projects in aggregate and such amount was subsequently billed and settled as of the Latest Practicable Date.

Our contract assets as at 31 March 2017 and 2018 and 31 July 2018 were not fully billed and settled up to the Latest Practicable Date (see "Settlement of such amounts" below), which was mainly due to longer negotiation and review period with one of our major customers, Customer A. Based on our Directors' past working experience with Customer A, normally it took approximately 1 year or more for negotiation and finalisation of payment application of final payment certificates and variation orders. Having considered the long-standing and continuous working relationship with Customer A and given that there has been no dispute between our Group and our customers as confirmed by our Directors, our Directors are of the view that all contract assets could be subsequently billed and settled.

Our contract liabilities as at 31 March 2018 represented advanced consideration received mainly from Customer A for Project 13, Project 15 and Project 16, which were advance payments paid by Customer A according to the relevant contracts terms upon confirmation of award (see "Business – Our customers – Contracts for fitting-out services – Contract Sum").

Loss allowance for contract assets

Please refer to the paragraph headed "Trade and other receivables – Loss allowance for trade and other receivables" in this section.

Settlement of such amounts

In respect of the contract assets of approximately HK$62.5 million as at 31 March 2016, such amounts had been fully settled by the relevant customers during FY2015/16 and FY2016/17.

In respect of the contract assets of approximately HK$67.7 million as at 31 March 2017 and approximately HK$94.5 million as at 31 March 2018, approximately 86.6% and 78.8% had been settled by the relevant customers up to the Latest Practicable Date.

In respect of the contract assets of approximately HK$91.7 million as at 31 July 2018, approximately 75.6% of such amount was subsequently settled as at the Latest Practicable Date.

In respect of the contract liabilities of approximately HK$16.0 million as at 31 March 2018, approximately 97.4% of the total contract liabilities was subsequently utilised and recognised as revenue during the four months ended 31 July 2018 based on the work progress of the relevant projects. Our contract liabilities as at 31 July 2018 have not been utilised up to the Latest Practicable Date.

Trade and other receivables

Our trade and other receivables as at 31 March 2016, 2017 and 2018 and 31 July 2018 amounted to approximately HK$24.5 million, approximately HK$37.8 million, approximately HK$39.1 million and approximately HK$56.5 million respectively. The following table sets forth a breakdown of our trade and other receivables:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	21,454	28,013	21,701	36,022
Less: loss allowance	–	–	–	(197)
Trade receivables, net	21,454	28,013	21,701	35,825
Retention receivables	2,896	8,943	4,754	12,797
Other receivables, deposits and prepayments	129	861	12,667	7,840
	24,479	37,817	39,122	56,462

Trade receivables

Our trade receivables increased from approximately HK$21.5 million as at 31 March 2016 to approximately HK$28.0 million as at 31 March 2017, then decreased to approximately HK$21.7 million as at 31 March 2018 and increased to approximately HK$35.8 million as at 31 July 2018. Such fluctuation was primarily due to the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods.

Retention receivables

When undertaking fitting-out services projects, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally equivalent to 10% of each progress payment and in aggregate subject to a maximum retention of 5% of the total contract sum. Normally, the retention money is released upon the expiry of the defects liability period. The fluctuation of our retention receivables as at 31 March 2016, 2017 and 2018 and 31 July 2018 was mainly due to different duration and different size of the fitting-out services projects undertaken by us during the Track Record Period. In respect of the retention receivables of approximately HK$2.9 million, HK$8.9 million and HK$4.8 million as at 31 March 2016, 2017 and 2018 respectively, approximately 72.6%, 82.8% and 4.5% had been settled by the relevant customers up to the Latest Practicable Date, while the retention receivables of approximately HK$12.8 million as at 31 July 2018 have not yet been settled by relevant customers up to the Latest Practicable Date.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments increased from approximately HK$0.1 million as at 31 March 2016 to approximately HK$0.9 million as at 31 March 2017, and further increase to approximately HK$12.7 million as at 31 March 2018. The relatively substantial increase to approximately HK$12.7 million as at 31 March 2018 was mainly due to (i) the prepayment of expenses in relation to the **[REDACTED]** of approximately HK$**[REDACTED]** million; and (ii) deposit paid for the purchase of flooring materials of approximately HK$9.0 million.

Our other receivables, deposits and prepayments decreased to approximately HK$7.8 million as at 31 July 2018, which was mainly due to (i) the prepayment of expenses in relation to the **[REDACTED]** of approximately HK$3.9 million; and (ii) the deposits paid to our suppliers of approximately HK$**[REDACTED]** million.

Concentration

As at 31 March 2016, 2017 and 2018 and 31 July 2018, there were 2, 2, 3 and 3 customer(s) which individually contributed over 10% of our trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 82.0%, 90.6%, 60.4% and 71.9% of our total trade and other receivables as at 31 March 2016, 2017 and 2018 and 31 July 2018 respectively. For further information regarding our customer concentration risk and our Directors' view as to the sustainability of our business model in view of our customer concentration, please refer to the section headed "Business – Our customers – Customer concentration" in this document.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2018
Trade receivables turnover days *(Note)*	29.2 days	26.1 days	16.2 days	16.7 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables, other receivables, deposits and prepayments) divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 122 days for the four months ended 31 July 2018).

The credit period that we granted to customers generally ranged from 21 to 30 days. Our trade receivables turnover days were approximately 29.2 days for FY2015/16, approximately 26.1 days for FY2016/17, approximately 16.2 days for FY2017/18 and approximately 16.7 days for the four months ended 31 July 2018. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Trade receivables ageing analysis and subsequent settlement

The ageing analysis of our trade receivables based on invoice date is as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	15,753	23,199	16,389	35,308
31–60 days	–	330	450	–
61–90 days	174	36	2	–
Over 90 days	5,527	4,448	4,860	517
	21,454	28,013	21,701	35,825

The ageing analysis of our trade receivables which were past due but not impaired is as follows:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Neither past due nor impaired	15,753	23,199	16,389	35,308
0–30 days past due	–	330	450	–
31–60 days past due	174	36	2	–
61–90 days past due	414	–	4,251	–
Over 90 days past due	5,113	4,448	609	517
	21,454	28,013	21,701	35,825

As shown in the above table, approximately 73.4%, 82.8%, 75.5% and 98.6% of our trade receivables as at 31 March 2016, 2017 and 2018 and 31 July 2018 were neither past due nor impaired.

Up to the Latest Practicable Date, 62.5% of our trade receivables as at 31 July 2018 had been settled:

	Trade receivable as at 31 July 2018	Subsequent settlement up to the Latest Practicable Date	
	HK$'000	*HK$'000*	*%*
Neither past due nor impaired	35,308	21,971	62.2
0–90 days past due	–	–	–
Over 90 days past due	517	422	81.6
	35,825	22,393	62.5

Approximately 98.5%, 99.4%, 75.7% and 80.0% of our revenue for each of FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018 was generated from the projects with Customer A, Customer B and Customer C, being our top five customers during the Track Record Period whose holding companies are among the top ten property developers in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange, which carries little risk of default in the opinion of our Directors. Our credit terms offered to customers generally ranged from 21 to 30 days. For our credit risk management, please refer to the section headed "Business – Risk management and internal controls systems – Credit risk management" in this document.

Loss allowance of trade and other receivables

Our Group applies the HKFRS 9 simplified approach to measure expected credit losses ("**ECL**") which use a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the trade receivables and contract assets have been grouped based on shared credit risk characteristics.

Our Group applies the HKFRS 9 general approach to measure ECL on retention receivables and deposits and other receivables. Our Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-month ECL ("**12m ECL**"), since there has not been a significant increase in credit risk since initial recognition for retention receivables and deposits and other receivables.

As at 1 April 2018, the additional credit loss allowance of approximately HK$125,000, together with the recognition of the corresponding deferred tax assets of approximately HK$21,000, totalling approximately HK$104,000 has been recognised against retained earnings as at 1 April 2018. The additional loss allowance is charged against the respective asset.

The additional impairment loss allowance upon the initial application of HKFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset and contract assets.

No loss allowance provision was recognised for retention receivables, deposits and other receivables as at 31 March 2018 and 1 April 2018, respectively. The loss allowance for trade receivables and contract assets as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Contract assets	**Trade receivables**
	HK$'000	*HK$'000*
Closing balances as at 31 March 2018	–	–
Amounts remeasured through opening retained earnings	2	123
Opening balances as at 1 April 2018	2	123

Our Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, our Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. We consider available reasonable and supportive forward-looking information.

Our Group accounts for our credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, our Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

(i) Trade receivables and contract assets

Our Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 July 2018 is determined as follows, and the ECL below also incorporate forward-looking information.

	Within 30 days	**Over 31 days and within 60 days**	**Over 61 days and within 90 days**	**Over 90 days**	**Total**
Trade receivables					
As at 31 July 2018					
Expected loss rate	0.1%	–	–	24.9%	
Gross carrying amount *(HK$'000)*	35,334	–	–	688	36,022
Loss allowance provision *(HK$'000)*	26	–	–	171	197

	Total
Contract assets	
As at 31 July 2018	
Expected loss rate	0.01%
Gross carrying amount *(HK$'000)*	91,752
Loss allowance provision *(HK$'000)*	10

The loss allowance provision for trade receivables and contract assets as at 31 July 2018 reconcile to the opening loss allowance for that provision is as follows:

	Contract assets *HK$'000*	**Trade receivables** *HK$'000*
As at 1 April 2018	2	123
Provision for loss allowance recognised in profit or loss	8	74
As at 31 July 2018	10	197

For the four months ended 31 July 2018, the provision for loss allowance was recognised in profit or loss in administrative and other operating expenses in relation to the impaired trade receivables and contract assets.

(ii) Other receivables

As at 31 July 2018, the internal credit rating of retention receivables and deposits and other receivables were performing. Our Directors considered all of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, no loss allowance provision was recognised during the four months ended 31 July 2018.

Trade and other payables

Our trade and other payables as at 31 March 2016, 2017 and 2018 and 31 July 2018 amounted to approximately HK$80.2 million, approximately HK$80.3 million, approximately HK$38.7 million and approximately HK$49.9 million respectively. The following table sets forth a breakdown of our trade and other payables:

	As at 31 March 2016 *HK$'000*	**As at 31 March 2017** *HK$'000*	**As at 31 March 2018** *HK$'000*	**As at 31 July 2018** *HK$'000*
Trade payables	78,739	67,851	34,856	44,467
Dividend payables	–	10,000	–	–
Accruals and other payables	1,428	2,496	3,862	5,476
	80,167	80,347	38,718	49,943

Trade payables

Our trade payables mainly comprised payables to subcontractors and materials suppliers.

Our trade payables decreased from approximately HK$78.7 million as at 31 March 2016 to approximately HK$67.9 million as at 31 March 2017 and further decreased to approximately HK$34.9 million as at 31 March 2018. Such decrease was mainly because we expedited the process of settling our trade payables in order to enhance business relationship with various suppliers, which was evidenced by the decrease in trade payables turnover days below.

Our trade payables increased from approximately HK$34.9 million as at 31 March 2018 to approximately HK$44.5 million as at 31 July 2018, which was mainly due to the increase in our costs incurred for subcontracting services.

Accruals and other payables

Our accruals and other payables mainly include accruals for salaries and allowances of staff and audit fee.

Our accruals and other payables increased from approximately HK$1.4 million as at 31 March 2016 to approximately HK$2.5 million as at 31 March 2017. Our accruals and other payables increased from approximately HK$3.9 million as at 31 March 2018 to approximately HK$5.5 million as at 31 July 2018. Such increase was mainly due to the increase in accruals for salaries and allowances of staff due to the increase in number of our employees across the Track Record Period.

Trade payables turnover days

The following table sets out our trade payables turnover days during the Track Record Period:

	FY2015/16	**FY2016/17**	**FY2017/18**	**Four months ended 31 July 2018**
Trade payables turnover days *(Note)*	101.6 days	88.0 days	37.6 days	26.1 days

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including accruals and other payables) divided by cost of sales for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 122 days for the four months ended 31 July 2018).

Our trade payables turnover days decreased from approximately 101.6 days for FY2015/16 to approximately 88.0 days for FY2016/17, and further decreased from approximately 37.6 days for FY2017/18 to approximately 26.1 days for the four months ended 31 July 2018, which was primarily because we expedited the process of settling our trade payables in order to enhance business relationship with various suppliers.

Trade payables ageing analysis and subsequent settlement

The following table sets forth an ageing analysis of trade payables based on the invoice dates:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	55,620	54,770	27,475	30,101
31–60 days	7,546	4,236	9	4,366
61–90 days	10,325	1,431	4,704	5,114
Over 90 days	5,248	7,414	2,668	4,886
	78,739	67,851	34,856	44,467

Up to the Latest Practicable Date, 88.1% of our trade payables as at 31 July 2018 had been settled.

Amount due from a director

Details of the amount due from a director are summarised in note 18 to the accountants' report set out in Appendix I to this document.

The amount due from a director is non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the Track Record Period, such amounts represented cash advanced by our Group to Mr. Man for his personal use.

Amounts due from related companies

Details of the amounts due from related companies are summarised in note 19 to the accountants' report set out in Appendix I to this document.

Amounts due from related companies represented amounts due from Haicheng Huizhou and Haicheng Sichuan of approximately HK$16.1 million and 4.1 million, respectively as at 31 March 2016. All amounts due from related companies were settled during FY2016/17. For details of Haicheng Huizhou and Haicheng Sichuan, please refer to the paragraph headed "Related party transactions" in this section.

Amounts due from related companies are non-trade nature, unsecured, interest-free and repayable on demand. During the Track Record Period, such amounts represented cash advanced by our Group to the related companies for their working capital purpose.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As of 31 October 2018, being the latest practicable date for this indebtedness statement, save as disclosed in this subsection headed "Indebtedness", we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2018 and up to the date of this document. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018	As at 31 October 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Non-current liabilities					
Finance lease liability	429	–	–	–	–
Current liabilities					
Bank borrowings	15,198	30,393	33,604	45,349	33,448
Finance lease liability	415	429	–	–	–
Amount due to a director	8,052	–	1,293	–	–
	24,094	30,822	34,897	45,349	33,448

Banking facilities

As at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018, our Group had banking facilities with credit limit amounting to approximately HK$25.0 million, HK$31.7 million, HK$43.2 million, HK$45.6 million and HK$42.4 million respectively which were secured by (i) unlimited personal guarantee and indemnity granted by Mr. Man and Mrs. Man; (ii) unlimited corporate guarantee granted by Hoi Sing Holdings; (iii) personal property owned by Mr. Man; and (iv) proceeds in relation to certain trade receivables of our subsidiaries. The guarantees and securities in relation to the aforementioned items (i), (ii) and (iii) will be released and replaced by corporate guarantees of our Company upon **[REDACTED]**.

These banking facilities include facilities for invoice financing, revolving loan facilities, term loan facilities and installment loan facilities.

The unutilised banking facilities as at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018 amounted to approximately HK$9.8 million, HK$1.3 million, HK$9.6 million, HK$0.3 million and HK$9.0 million, respectively.

Bank borrowings

As at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018, our Group had bank borrowings repayable as follows:

	As at 31 March 2016	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 July 2018**	**As at 31 October 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Within 1 year	15,198	30,393	33,604	45,349	33,448

As at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018, the interest rates of the bank borrowings ranged from HKD Prime Rate minus 0.5% to HKD Prime Rate plus 0.5% per annum, and flat rate of 4.2% and flat rate of 4.8%.

Finance lease liability

During the Track Record Period, we purchased motor vehicles by way of finance lease arrangements.

At 31 March 2016, 2017 and 2018, our Group had obligations under finance leases repayable as follows:

	As at 31 March 2016		**As at 31 March 2017**		**As at 31 March 2018**	
	Present value of the minimum lease payment	**Total minimum lease payments**	**Present value of the minimum lease payment**	**Total minimum lease payments**	**Present value of the minimum lease payment**	**Total minimum lease payments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	415	437	429	437	–	–
More than one year but not more than two years	429	437	–	–	–	–
More than two years but not more than five years	–	–	–	–	–	–
	844	874	429	437	–	–
Less: total future interest expenses		(30)		(8)		–
Present value of lease obligations		844		429		–

As at 31 March 2016 and 2017, the effective interest rate was 1.79% per annum for our finance leases facilities.

Our finance leases were secured by motor vehicle. As at 31 March 2016 and 2017, the net book value of our motor vehicle under finance leases amounted to approximately HK$1.1 million and approximately HK$0.7 million respectively, representing 100% of the total net book value of our motor vehicles as at 31 March 2016 and 2017. As at 31 March 2018, the finance leases payables were fully settled and there were no new finance lease facilities drawn since then.

Amount due to a director

Our Group had an amount due to Mr. Man of approximately HK$8.1 million, nil, approximately HK$1.3 million, nil and nil as at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018 respectively. The amount due to Mr. Man was cash advanced by Mr. Man to our Group for working capital purpose. The amount due to Mr. Man was non-trade nature, unsecured, non-interest bearing and repayable on demand. All outstanding balance had been settled during the Track Record Period.

Operating lease commitments

Group as lessee

As at 31 March 2016, 2017 and 2018, 31 July 2018 and 31 October 2018, the total future minimum lease payments payable by our Group (as lessee) under non-cancellable operating lease is as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018	As at 31 October 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Within one year	435	468	432	744	636
In the second to fifth years inclusive	828	396	–	880	748
	1,263	864	432	1,624	1,384

The non-cancellable operating leases represented the lease of office premises located at Tsuen Wan from Hoi Sing Holdings, which was considered as a related party transaction during the Track Record Period. After the **[REDACTED]**, the lease will continue and such transaction will constitute exempt continuing connected transaction of our Company for the purpose of Chapter 14A of the Listing Rules. For details, please see the section headed "Connected transaction" in this document.

Contingent liabilities

Our Group had no significant contingent liabilities as at the end of the Track Record Period and as at the Latest Practicable Date.

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	FY2015/16 or as at 31 March 2016	FY2016/17 or as at 31 March 2017	FY2017/18 or as at 31 March 2018	Four months ended 31 July 2018 or as at 31 July 2018
Revenue growth	N/A	44.2%	61.7%	25.2%
Net profit growth	N/A	128.8%	42.2%	(15.7)%
Gross profit margin	9.9%	12.2%	11.0%	11.7%
Net profit margin before interest and tax	6.5%	9.8%	8.7%	6.1%
Net profit margin	4.9%	7.8%	6.9%	4.4%
Return on equity	89.2%	89.2%	55.9%	11.9%
Return on total assets	9.9%	18.3%	24.0%	5.2%
Current ratio	1.1	1.3	1.8	1.8
Quick ratio	1.1	1.3	1.8	1.8
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	29.2	26.1	16.2	16.7
Trade payables turnover days	101.6	88.0	37.6	26.1
Gearing ratio	181.3%	101.3%	50.6%	58.0%
Net debt to equity ratio	93.0%	2.2%	11.8%	19.0%
Interest coverage	13.0	35.4	29.3	21.4

Revenue growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our revenue.

Net profit growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our net profit.

Gross profit margin

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 6.5% for FY2015/16 to approximately 9.8% for FY2016/17, which was mainly due to the increase in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax decreased from approximately 9.8% for FY2016/17 to approximately 8.7% for FY2017/18, which was mainly due to the increase in our administrative and other operating expenses as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax decreased from approximately 8.3% for the four months ended 31 July 2017 to approximately 6.1% for the four months ended 31 July 2018. Such decrease was mainly due to the recognition of **[REDACTED]** expenses of approximately HK$**[REDACTED]** million for the four months ended 31 July 2018.

Net profit margin

Our net profit margin increased from approximately 4.9% for FY2015/16 to approximately 7.8% for FY2016/17, which was mainly due to (i) the increase in our net profit margin before interest and tax as mentioned above and (ii) the decrease in the finance costs.

Our net profit margin decreased from approximately 7.8% for FY2016/17 to approximately 6.9% for FY2017/18, which was mainly due to (i) the decrease in our net profit margin before interest and tax as mentioned above; (ii) the tax effect of the non-deductible **[REDACTED]** expenses recognised in FY2017/18; and (iii) the increase in the finance costs.

Our net profit margin decreased from approximately 6.6% for the four months ended 31 July 2017 to approximately 4.4% for the four months ended 31 July 2018. Such decrease was mainly due to (i) the decrease in our net profit margin before interest and tax as discussed above; and (ii) the tax effect of the non-deductible **[REDACTED]** expenses incurred during the four months ended 31 July 2018.

Return on equity

Return on equity is calculated as profit for the year divided by the ending total equity as at the respective reporting dates.

Our return on equity remained stable at approximately 89.2% for FY2015/16 and approximately 89.2% for FY2016/17 while decreased to approximately 55.9% for FY2017/18, which was mainly due to the increase in our total equity (by approximately 126.8%) outweighing the increase in profit for the year (by approximately 61.7%). Our return on equity decreased from approximately 26.6% from the four months ended 31 July 2017 to approximately 11.9% for the four months ended 31 July 2018. Such decrease was mainly due to decrease in profit for the period which was contributed by the recognition of **[REDACTED]** expenses of approximately HK$**[REDACTED]** million during the four months ended 31 July 2018 (2017: nil).

Return on total assets

Return on total assets is calculated as profit for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 9.9% for FY2015/16 to approximately 18.3% for FY2016/17, and further increased to approximately 24.0% for FY2017/18. The increase in our return on total assets was mainly due to the increase in the profit for the year as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our return on total assets decreased from approximately 7.2% for the four months ended 31 July 2017 to approximately 5.2% for the four months ended 31 July 2018. Such decrease was mainly due to reason similar to the decrease in our return on equity mentioned above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.1 times as at 31 March 2016 to approximately 1.3 times as at 31 March 2017, which was mainly due to the increase in our current assets as a result of our profitable operations.

Our current ratio increased from approximately 1.3 times as at 31 March 2017 to approximately 1.8 times as at 31 March 2018. Such increase was mainly due to the increase in our current assets as a result of our profitable operations, as well as the decrease in trade and other payables as at 31 March 2018 as discussed in the paragraph headed "Trade and other payables" in this section.

Our current ratio remained relatively stable at approximately 1.8 times as at 31 March 2018 and as at 31 July 2018.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables (not including retention receivables and other receivables, deposits and prepayments) divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 122 days for the four months ended 31 July 2018).

Please refer to the section "Financial information – Net current assets – Trade and other receivables" for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables (not including trade accruals) divided by direct costs for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 122 days for the four months ended 31 July 2018).

Please refer to the paragraph headed "Net current assets – Trade and other payables" in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (including bank borrowings, finance lease liabilities and amount due to a director) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 181.3% as at 31 March 2016, approximately 101.3% as at 31 March 2017 and approximately 50.6% as at 31 March 2018. The decrease in our gearing ratio was mainly due to repayment of amount due to a director and the increase in our total equity, despite the increasing amount of total bank borrowings.

Our gearing ratio increased from approximately 50.6% as at 31 March 2018 to approximately 58.0% as at 31 July 2018, which was mainly due to the increase in our total bank borrowings as at 31 July 2018.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio decreased from approximately 93.0% as at 31 March 2016 to approximately 2.2% as at 31 March 2017, mainly due to the increase in our cash and bank balances as at 31 March 2017.

Our net debt to equity ratio increased from approximately 2.2% as at 31 March 2017 to approximately 11.8% as at 31 March 2018, mainly due to the increase in our bank borrowings as at 31 March 2018.

Our net debt to equity ratio increased from approximately 11.8% as at 31 March 2018 to approximately 19.0% as at 31 July 2018, mainly due to the increase in our total bank borrowings as at 31 July 2018.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage increased from approximately 13.0 times as at 31 March 2016 to approximately 35.4 times as at 31 March 2017, mainly due to our increase in net profit margin before interest and tax for FY2016/17 as explained above and the decrease in our finance cost mainly due to the decrease in the effective interest rates of the bank borrowings for FY2016/17 as compared to FY2015/16.

Our interest coverage decreased from approximately 35.4 times as at 31 March 2017 to approximately 29.3 times as at 31 March 2018, mainly due to the increase in finance costs as a result of the increase in proceeds from bank borrowings during FY2017/18.

Our interest coverage amounted to approximately 19.5 times as at 31 July 2017 and approximately 21.4 times as at 31 July 2018, which was mainly due to the decrease in finance costs as the total proceeds from bank borrowings during the four months ended 31 July 2017 was higher than that of the four months ended 31 July 2018, despite the decrease in the profit before finance costs and income tax for the four months ended 31 July 2018.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial and capital risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to "Business – Risk management and internal control systems" and note 3 of the accountants' report set out in Appendix I to this document.

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance. Our Directors review the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, we may adjust the amount of dividends paid to Shareholders, conducting share buybacks, issue new Shares, and/or raising new debts, depending on our capital structure and needs from time to time.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the **[REDACTED]** on the audited combined net tangible assets of our Group attributable to owners of our Company as of 31 July 2018 as if the **[REDACTED]** had taken place on 31 July 2018, was approximately HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, respectively, based on the lower end and the upper end of the indicative **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**. Please refer to Appendix II to this document for the bases and assumptions in calculating the unaudited pro forma adjusted net tangible assets figure.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the **[REDACTED]** is approximately HK$**[REDACTED]** million. Out of the amount of approximately HK$**[REDACTED]** million, approximately HK$**[REDACTED]** million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon **[REDACTED]**. The remaining amount of approximately HK$**[REDACTED]** million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$**[REDACTED]** million that shall be charged to profit or loss, nil, nil, approximately HK$**[REDACTED]** million and approximately HK$**[REDACTED]** million, has been charged for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018 respectively, and approximately HK$**[REDACTED]** million is expected to be incurred for the remaining eight months ended 31 March 2019. Expenses in relation to the **[REDACTED]** are non-recurring in nature. Our Group's financial performance and results of operations for FY2018/19 will be adversely affected by the estimated expenses in relation to the **[REDACTED]**.

DIVIDEND

For each of FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, we declared dividends of nil, HK$10.0 million, nil and nil respectively to our then shareholders. All such dividends had been fully paid and we financed the payment of such dividends by internal resources.

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 9 May 2018. As at 31 March 2016, 2017 and 2018 and 31 July 2018, our Company had no reserves available for distribution to our Shareholders.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 29 to the accountants' report set out in Appendix I to this document. During the Track Record Period, material transactions with related parties mainly include the following:

a. Supply of materials to our Group by related party

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Haicheng Huizhou	20,274	30,385	–	–	–

Haicheng Huizhou is a limited liability company established in the PRC on 15 December 2009. It is wholly owned by Great Gold Development, a limited liability company incorporated in Hong Kong on 12 May 2004. Great Gold Development was previously owned as to 70% by Mr. Man and 30% by Mrs. Man, respectively at the time of incorporation until March 2017.

Great Gold Development is an investment holding company which wholly-owns Haicheng Huizhou, Great Gold Huizhou and Haicheng Sichuan. Haicheng Huizhou, Great Gold Huizhou and Haicheng Sichuan were limited liability companies established in the PRC on 15 December 2009, 18 June 2007 and 28 January 2008, respectively. Great Gold Huizhou and Haicheng Huizhou principally engaged in the supply of finished furniture products and timber products in the PRC while Haicheng Sichuan principally engaged in provision of fitting-out services in the PRC.

Subsequently in early March 2017, the entire issued share capital of Great Gold Development was sold to an independent third party. Mr. Man and Mrs. Man disposed of Great Gold Development as they wished to focus on the Group's business in Hong Kong and no longer wished to continue the furniture supply business undertaken by Great Gold Huizhou and Haicheng Huizhou and the fitting-out business undertaken by Haicheng Sichuan in the PRC.

b. Sales of materials to related party by our Group

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hoi Sing International	926	261	–	–	–

Hoi Sing International is a limited liability company incorporated in Hong Kong on 25 March 2014. It was owned by Mr. Man, Mr. Ho and an independent third party as to 50%, 30% and 20% respectively at the time of incorporation. Mr. Man, Mr. Ho and the independent third party were also directors of Hoi Sing International. In March 2016, Mr. Ho transferred his entire interest in Hoi Sing International to Mr. Man Hoi Wang, Michael, the son of Mr. Man and Mrs. Man while the independent third party transferred his entire interest in Hoi Sing International to Mrs. Man. Mr. Ho and the independent third party subsequently resigned from their position as director of Hoi Sing International in August 2016 and Mr. Man Hoi Wang, Michael was appointed as a director of Hoi Sing International in August 2016. Mr. Man and Mrs. Man resigned from their position as director of Hoi Sing International in January 2017 and they transferred their entire interest in Hoi Sing International to Mr. Man Hoi Wang, Michael in February 2017.

Prior to Mr. Man Hoi Wang, Michael becoming the sole shareholder, the principal business activities of Hoi Sing International mainly included the retail trading of timber flooring. Subsequently, Mr. Man Hoi Wang, Michael redeveloped the business into retail trading of cosmetic products. Hoi Sing International was disposed to Mr. Man Hoi Wang Michael as its retail business was not in line with the Group's business as a fitting-out contractor.

c. Provision of fitting-out services to related party by our Group

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Mr. Man	39	–	116	–	–
Mr. Chung Po Wang *(Note)*	305	52	–	–	–
	344	52	116	–	–

Note: Mr. Chung Po Wang was a director of Hoi Sing Decoration and resigned in December 2016 due to personal reason.

Our Directors confirmed that the above-mentioned related party transactions under items (a), (b) and (c) above were conducted on arm's length basis and would not distort our results during the Track Record Period, as supported by the fact that the fees charged to/by these related parties were comparable and within the range of fees charged to/by other independent customers or suppliers engaged by our Group for similar sales or purchases.

d. Rental of office premises to our Group by related party

	FY2015/16	FY2016/17	FY2017/18	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hoi Sing Holdings	432	432	432	144	176

Hoi Sing Holdings is a limited liability company incorporated in Hong Kong on 29 January 2007 and is owned as to 50% by Mr. Man and 50% by Mrs. Man. The principal business of Hoi Sing Holdings is property investment. During the Track Record Period, we rented an office premises from Hoi Sing Holdings. The rental transactions with Hoi Sing Holdings is expected to continue following the **[REDACTED]**.

Having regard to the then prevailing market rent as assessed by an independent valuer, our rental of office premises before 1 April 2018 was below the then prevailing market rent. During the Track Record Period, the annual rental based on the then prevailing market rates as assessed by the independent valuer was estimated to be HK$493,200, HK$502,800 and HK$511,200 for FY2015/16, FY2016/17 and FY2017/18, respectively. Our Directors consider that such differences between the actual annual rental expense (i.e. HK$423,000 for each FY2015/16, FY2016/17 and FY2017/18) and the amounts as assessed by the independent valuer were immaterial to our Group's financial statements as a whole and therefore did not materially distort our financial results during the Track Record Period. Since 1 April 2018, the new monthly rental of HK$44,000 was arrived at between our Group and Hoi Sing International with regard to the prevailing market rent as assessed by the independent valuer. For further information, please refer to the section headed "Connected transaction" in this document.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 July 2018, and there had been no events since 31 July 2018 which would materially affect the information shown in our combined financial statements included in the accountants' report set out in Appendix I to this document.

The strategies we aim to pursue to further strengthen our market position in the fitting-out industry in Hong Kong include: (i) strengthening our financial position and expanding our workforce in order to expand our market share through undertaking more sizeable fitting-out projects; (ii) continue to emphasise and maintain high standards of project planning, management and implementation; and (iii) adhere to prudent financial management to ensure sustainable growth and capital sufficiency. For details of our business strategies, please refer to the section headed "Business – Business strategies and future plans" in this document.

REASONS FOR THE [REDACTED]

According to the Ipsos Report, the total gross output value of the fitting-out industry is forecasted to increase from approximately HK$31.3 billion to approximately HK$39.2 billion at a CAGR of 5.8% from 2018 to 2022 due to the expected growth in both residential and commercial fitting-out industry. In particular the gross output value generated from residential fitting-out works is forecasted to increase from approximately HK$10.1 billion in 2018 to approximately HK$12.6 billion in 2022 at a CAGR of 5.7%. Further, the demand and supply for micro residential units have been increasing in recent years due to its slightly more affordable price in a smaller size as compared to the high end large property units. This trend creates more residential units under the same developed gross floor area, which leads to an increase in the demand of fitting-out services, according to the Ipsos Report. During the Track Record Period, provision of fitting-out services for residential properties constituted, 93.3%, 98.8%, 94.7% and 97.8% of our total revenue for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. Driven by the anticipated increase in demand for fitting-out services and growth in the fitting-out industry, our Directors expect that our business will expand steadily going forward.

Taking advantage of the forecasted growth in the fitting-out industry, we aim to further strengthen our market position in the fitting-out industry in Hong Kong through (i) expanding our market share through undertaking more sizeable fitting-out projects; (ii) continuing to emphasise and maintain high standards of project planning, management and implementation; and (iii) adhering to prudent financial management to ensure sustainable growth and capital sufficiency. In particular, we intend to apply the **[REDACTED]** from the **[REDACTED]** in strengthening our financial position and expanding our work force. For details, please refer to the paragraph headed "**[REDACTED]**" in this section.

Our Directors believe that the **[REDACTED]** of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the fitting-out industry in Hong Kong for the reasons below.

Enhance our corporate profile, brand awareness and competitiveness among business stakeholders

Our Directors believe that the **[REDACTED]** will enhance our corporate profile and brand awareness among business stakeholders such as customers, contractors, project owners and government authorities. We believe that the **[REDACTED]** will strengthen our internal control and corporate governance practices, which in turn would bolster our customers' and suppliers' confidence in us and attract potential new customers, as well as quality suppliers and subcontractors.

Our Directors consider that the **[REDACTED]** enhances our competitiveness among competitors. Some of our major competitors in the fitting-out industry in Hong Kong are listed on the Stock Exchange. Customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. In particular, the respective holding companies of some of our major customers are listed companies and are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017 according to the Ipsos Report. They may prefer to engage listed fitting-out contractors. Our Directors believe that we will be able to maintain our competitiveness among the market leaders and differentiate ourselves from other competitors which are private companies during the tendering process, thus enhancing our success rate in securing sizeable projects.

Enhance work morale to nurture an integrated workforce

To effectively implement our business strategies, our Directors believe that a **[REDACTED]** status allows us to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with us as compared to a **[REDACTED]** group, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and optimise our day-to-day operations to the benefit of our long-term development.

We have a genuine funding need in order to expand our business

Our cash and bank balances was just sufficient to maintain our existing business operations

As at 31 March 2016, 2017, 2018, 31 July 2018 and 31 October 2018, our cash and bank balances were approximately HK$11.7 million, HK$30.2 million, HK$26.8 million, HK$30.5 million and HK$32.0 million, respectively. However, our Directors consider that our cash and bank balances as at each month end date as set out above are not indicative of our available cash levels during the Track Record Period. During the Track Record Period, our major customers (including Customer A and Customer B) generally settle our payments around the end of a calendar month. Our cash and bank balances as at the above dates were therefore only a snapshot of our available cash as a result of payments settled by some of our major customers in a particular month. A substantial portion of such payments are generally immediately applied to settle payments to our suppliers and our subcontractors of the ongoing projects at the beginning of the succeeding month. For instance, subsequent to the aforesaid settlements, our cash and bank balances as at 10 April 2016, 2017 and 2018, 10 August 2018 and 10 October 2018 were approximately HK$6.9 million, HK$11.4 million, HK$7.9 million, HK$12.5 million and HK$7.3 million, respectively. Further, we required an average monthly operating costs for our projects of approximately HK$18.0 million, HK$25.3 million, HK$41.6 million and HK$46.3 million (primarily including subcontracting charges, direct material costs and staff costs) during the Track Record Period based on our total direct costs in FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. In view of our business expansion during FY2017/18, the average monthly operating costs for our projects for FY2017/18 (i.e. HK$41.6 million) significantly exceeded our cash and bank balances as at 31 March 2017 (i.e. HK$26.8

million). As such our available cash during the Track Record Period was just sufficient for maintaining our existing business operations and would not allow room for further business expansion such as undertaking more sizeable projects with contract sum ranging from HK$100 million to HK$150 million per project which would inevitably require more available cash for upfront project costs and general working capital. Further, the total estimated contract sum of our backlog were approximately HK$819.1 million, HK$1,146.0 million, HK$1,112.3 million and HK$1,311.1 million as at 31 March, 2016, 2017, 2018 and 31 July 2018, respectively. Our cash and bank balances as at the dates indicated only accounted for less than 3% of our total estimated contract sum of our fitting-out projects in our backlog as at the same date. For details of our fitting-out projects in our backlog, please refer to the section headed "Business – Our projects undertaken during the Track Record Period – Backlog" in this document.

As at the Latest Practicable Date, we had been awarded two contracts (i.e. Project 25 and Project 47 under the table of projects on hand set out in the section headed "Business - Our projects undertaken during the Track Record Period – Projects on hand" in this document) at an original contract sum of approximately HK$15.8 million and HK$10.3 million, respectively, under which we were contractually required to obtain performance bonds from a bank in order to secure our due and timely performance. The performance bonds will be taken out upon further instruction from our customers. The amount of performance bonds to be obtained would amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of performance bonds to be obtained for the projects.

While our Directors consider that our current cash and bank balances may still be able to support our existing operations, they cannot provide any funding buffer for us to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the fitting-out industry or severe disasters, nor can they support our growth through business expansion. We expect that the cash outflow for our business operation will further increase correspondingly when the number of sizeable projects we take up increases along with our expansion plan. If there is no additional funding from the **[REDACTED]**, our cash balance may not be sufficient to sustain our business should there be any adverse changes to our financial position, nor can we further strengthen our market position in the fitting-out industry in Hong Kong by expanding our market share through undertaking more sizeable fitting-out projects.

We need to maintain a certain working capital level for our projects

According to the Ipsos Report, a large amount of upfront cost payment is often involved in fitting-out projects, which require substantial working capital and healthy cash flow. Hence, new entrants who do not have an adequate amount of capital may face consequences of delayed project executions and ultimately, lose their reputation. Our Directors consider that customers generally assess whether a contractor's financial resources are sufficient to undertake new projects and manage other projects on hand during the tender/quotation assessment process, which includes whether there are sufficient financial resources to obtain performance bond as required and to bear upfront costs such as payment of subcontracting charges and costs of materials. Based on our Directors' experience throughout our operating history, before awarding a project to a potential contractor through either the tendering or the quotation process, customers generally inquire the financial position of contractors, in particular new contractors whom they have not previously engaged. Inquiries into the financial position of a potential contractor is generally made through obtaining the financial statements and job references of the potential contractor. While customers in the private sector generally do not stipulate a minimum working capital requirement in the contracts, based on our Directors' experience, customers have already taken into consideration the financial position and working capital level of a potential contractor before awarding a project to a potential contractor. Assessment of working capital level of contractors for undertaking projects can also be seen in the public sector. Using contractors who undertake projects in the public sector as a comparison, contractors are required to meet certain financial criteria applicable to their appropriate category and group for admission and retention on the lists of approved contractors for public works maintained by the DEVB and for the award of public works contracts. For example, in order to carry out certain public works, a public works contractor may be required to maintain a minimum working capital of either (i) HK$8.6 million if there are no outstanding contracts or (ii) the higher of HK$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. While the Government may not have, through legislation or government policies impose similar working capital requirements for contracts in the private sector due to, for example contracting parties' freedom in entering into contracts, our Directors believe that the rationale behind such requirements is to ensure that a contractor's financial resources are sufficient to undertake the potential project and manage its other projects on hand, similar to the assessment criteria of contractors in the private sector. Our Directors therefore consider a healthy working capital level as one of the determining factors in obtaining a project from a potential customer. Taking into consideration certain working capital requirements for projects in the public sector as a reference, our Directors consider that we should have a comparable, if not more, working capital level for our business operations in order to sustain our business in the private sector and expand our business.

Debt financing does not provide enough funding at reasonable costs

As our business continue to grow during the Track Record Period, we have become increasingly reliant on our bank borrowings, which for the reasons set out in the paragraph headed "Reasons for the **[REDACTED]** – Ease of raising funds in the capital market for future business development" in this section below, is not a desirable way of further supporting our business operations as compared to equity financing.

As at 31 March 2016, 31 March 2017, 31 March 2018, 31 July 2018 and 31 October 2018, our bank borrowings were approximately HK$15.2 million, HK$30.4 million, HK$33.6 million, HK$45.3 million and HK$33.4 million, respectively, which represented approximately 60.8%, 95.9%, 77.8% 99.3% and 98.0% of available banking facilities credit limit as at the respective dates. During the Track Record Period, our bank borrowings increased steadily as we could only rely on debt financing for the expansion of our business operations. As at 31 October 2018, we had only approximately HK$9.0 million of unutilised banking facilities and the existing facilities could not be further topped up unless additional securities could be provided. During FY2017/18, in view of our funding needs for the expansion of our business operations, our Directors did consider to obtain further loans from other banks. However, due to the fact that (i) the lack of further securities our Group could provide; and (ii) personal guarantees by our Controlling Shareholders were already used for securing existing banking facilities, we were only granted further loans of HK$3.0 million in aggregate from other banks. Further, according to the 2017 annual report published by the Hong Kong Monetary Authority, the Federal Reserve of the United States has raised interest rates six times since December 2015. With widening spreads between HKD interest rates and their USD counterparts, there is a greater incentive for funds to flow from the HKD into the USD and capital outflows will lead to a gradual increase in HKD interest rates, according to the report. The Financial Secretary of the HKSAR, Mr. Chan Mo-po, Paul, had also, during a finance panel meeting of the Legislative Council in January 2018, expressed his opinion that under the peg linking HKD to the USD, it is inevitable that Hong Kong will follow suit this year to increase interest rates. On this basis, our Directors believe that while current interest environment in Hong Kong may not have yet closely followed the Federal Reserve of the United States in raising interest rates, it is expected that the HKD Prime Rate and the Hong Kong Interbank Offered Rate will soon pick up its pace and surge in the near future. Our business operation may therefore become more difficult if we continue to heavily rely on debt financing.

In view of (i) the feasibilities of renewing the existing revolving loan or procuring additional bank borrowings to finance our expansion plan; and (ii) the anticipated surge in interest rates, our Directors consider that we have a genuine need for equity financing in order to fully implement our expansion plan and business strategies, while at the same time maintaining a sufficient level of cash balance for our day-to-day operations, and a reasonable buffer for emergency situations or potential business opportunities.

Ease of raising funds in the capital market for future business development

Despite the fact that our Group was able to sustain our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, we plan to seek equity financing as it would ease our cash flow as compared to debt financing from bank or financial institutions due to the following reasons:

(a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders as security for our bank borrowings, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity. On the other hand, our Directors consider that as a group of private companies usually does not have a large amount of fixed assets as collateral, it would be difficult for our Group, without a **[REDACTED]** status, to obtain bank borrowings at a competitive rate without guarantees provided by our Controlling Shareholders. Taking into account the fact that (i) our Group's cash outflow exposure at the initial stage of each project; and (ii) it is necessary to maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run, our Directors consider that the **[REDACTED]** from the **[REDACTED]** are necessary for the implementation of our future business plans as opposed to debt financing given the interest expenses would impose additional cash flow burden to our Group; and

(b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our business expansion.

The **[REDACTED]** will allow us to gain access to the capital market for fund raising, will assist our future business development and enhance our competitiveness. We will be able to use secondary fund raising after the **[REDACTED]** for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain certain amount of banking facilities after the **[REDACTED]** alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure. By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers and subcontractors. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes us to increasing financial costs in the future.

Diversifying our shareholder base

Our Directors believe that the **[REDACTED]** will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of privately held shares before the **[REDACTED]**. Hence, our Directors consider that the **[REDACTED]** will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

[REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of the **[REDACTED]** range), will be approximately HK$**[REDACTED]** million, after deduction of **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]**.

We intend to apply the **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** million for the following purposes assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range:

Payment of upfront costs

Approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for payment of upfront costs for new projects such as payment of subcontracting charges and costs of materials.

Application of* [REDACTED] *to tender for more sizeable projects

We may experience net cash outflows at the early stage of a project as we are required to bear expenses upfront. Our customers make progress payments according to our work progress, and such payments need to be certified by our customers before we issue an invoice to them. In addition, where our contracts provide that our customers shall be entitled to retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. Accordingly, our cash flow typically turn from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. The upfront costs of our projects generally include subcontracting charges and costs of materials. We target to undertake more sizeable projects with contract sum ranging from approximately HK$100 million to HK$150 million per project with new customers. These sizeable projects are generally cash flow demanding. Based on our operation history during the Track Record Period, a sizeable project with total contract sum ranging from HK$100 million to HK$150 million with a new customer generally requires us to pay upfront costs representing approximately 10% of the total contract sum before such costs can be recovered from our customers after a period of approximately 3 to 4 months. This results in a cash flow gap. Although depending on the contract terms, some of our customers pay us an advance payment of up to 5% of the total contract sum upon confirmation of award as discussed in the section headed "Business – Our customers – Contracts for fitting-out services – Contract sum" in this document, only contracts from Customer A, being one of our top five customers during the Track Record Period provide for such advance payments. Advance payments from other customers are not contractually agreed and therefore are subject to negotiation on a case-by-case basis and not guaranteed. Based on our Group's past experience, advance payments are normally not available from new customers as there is no previously established business relationship with those new customers. We therefore have funding needs for upfront costs and working capital requirement if we intend to tender for more sizeable projects in terms of contract sum from new customers. During the Track Record Period, we received 23 tender/quotation invitations for projects with contract sum each of HK$100 million or above while we had declined 8 of such tender/quotation invitations with aggregate expected contract sum amounted to over HK$1,625 million due to insufficient financial resources and/or manpower. Our Directors believe that our reputation and proven track record have contributed to invitations for these sizeable projects from our customers during the Track Record Period. Invitations for sizeable projects further demonstrate our customers' faith in our ability to take up and manage sizeable projects to their satisfaction. Nevertheless, limited by our available resources including financial resources and manpower, we were unable to tender for more sizeable projects with contract sum in the HK$100 million to HK$150 million range during the Track Record Period.

Our potential projects with expected contract sum exceeding HK$10.0 million

Subsequent to the Track Record Period and up to the Latest Practicable Date, 3 new contracts, with an aggregate original contract sum of approximately HK$119.8 million were awarded to our Group. As at the Latest Practicable Date, we had a total of 31 projects on hand (including projects that have commenced but not completed and projects that have been awarded to us but works have not yet been commenced) among which 4 projects have total contract sum exceeding HK$100 million each. The aggregate total contract sum of these 4 projects with total contract sum exceeding HK$100 million each amounted to over HK$600 million. These projects or our other potential projects would entail stronger revenue stream but at the same time, a substantial amount of upfront costs, which may tie up our resources during the term of the contract and thereby affect our liquidity.

The table below sets forth particulars of our potential projects with expected contract sum exceeding HK$10.0 million subsequent to the Track Record Period and up to the Latest Practicable Date (in descending order by contract sum):

Project	Customer	Location	Type of project	Expected project duration	Expected contract sum	Performance bond amount (if any)	Tender status	Expected date of release of tender result
					HK$'000	*HK$'000*		
Project 30	Customer B	Tai Wai	Fitting-out services for a residential development project	March 2019 to June 2020	180,399	–	Tender submitted; Pending tender result	December 2018
Project 51	New Customer *(Note 1)*	Kai Tak/ Tseung Kwan O/ Kwun Tong	Fitting-out services for a residential development project	June 2019 to March 2023	166,848	–	Tender submitted; Pending tender result	December 2018
Project 31	New Customer *(Note 2)*	Mid-levels	Fitting-out services for school buildings	June 2019 to December 2021	140,869	14,087	Tender submitted; Pending tender result	December 2018
Project 32	New Customer *(Note 2)*	Tuen Mun	Fitting-out services for a residential development project	December 2018 to December 2019	127,519	12,752	Tender submitted; Pending tender result	December 2018
Project 33	Customer B	Tai Wai	Fitting-out services for a residential development project	March 2019 to June 2020	103,450	–	Tender submitted; Pending tender result	December 2018
Project 57	Customer A	North Point	Fitting-out services for a residential development project	January 2019 to December 2019	94,199	–	Tender submitted; Pending tender result	January 2019
Project 34	Customer B	Tai Wai	Fitting-out services for residential buildings	March 2019 to December 2020	78,890	–	Tender submitted; Pending tender result	December 2018

Project	Customer	Location	Type of project	Expected project duration	Expected contract sum *HK$'000*	Performance bond amount (if any) *HK$'000*	Tender status	Expected date of release of tender result
Project 52	Customer A	Tuen Mun	Fitting-out services for a residential development project	December 2018 to April 2020	78,875	–	Successful	Not applicable
Project 35	Customer B	Tai Wai	Fitting-out services for a residential development project	June 2019 to June 2020	69,834	–	Tender submitted; Pending tender result	December 2018
Project 36	Customer B	Tai Wai	Fitting-out services for residential buildings	March 2019 to June 2020	64,910	–	Tender submitted; Pending tender result	December 2018
Project 58	Customer B	To Kwa Wan	Fitting-out services for a residential development project	January 2019 to April 2021	45,576	–	Tender submitted; Pending tender result	January 2019
Project 53	Customer B	Tai Wai	Fitting-out services for a residential development project	June 2020 to June 2021	41,175	–	Tender submitted; Pending tender result	December 2018
Project 37	Customer A	Ma Tau Kok	Fitting-out services for a residential building	December 2018 to November 2019	30,615	–	Successful	Not applicable
Project 38	Customer B	Fanling	Fitting-out services for residential buildings	January 2019 to April 2019	29,636	–	Tender submitted; Pending tender result	December 2018
Project 39	Customer B	North Point	Fitting-out services for a commercial building	Not applicable	26,704	–	Unsuccessful	Not applicable
Project 40	New customer	Tuen Mun	Fitting-out services for a commercial building	December 2018 to June 2020	22,130	2,213	Tender submitted; Pending tender result	December 2018
Project 59	Customer A	Tsuen Wan	Fitting-out services for a residential development project	January 2019 to December 2020	21,046	–	Tender submitted; Pending tender result	January 2019
Project 54	New Customer	Kai Tak	Fitting-out services for a residential development project	June 2020 to December 2021	20,686	–	Tender submitted; Pending tender result	March 2019

Project	Customer	Location	Type of project	Expected project duration	Expected contract sum *HK$'000*	Performance bond amount (if any) *HK$'000*	Tender status	Expected date of release of tender result
Project 41	New customer	Yau Tong	Fitting-out services for a residential development project	Not applicable	20,525	2,052	Unsuccessful	Not applicable
Project 42	New Customer	Ho Man Tin	Fitting-out services for a residential development project	December 2019 to June 2020	20,496	–	Tender submitted; Pending tender result	January 2019
Project 43	New Customer	Yau Tong	Fitting-out services for a residential development project	Not applicable	17,874	–	Unsuccessful	Not applicable
Project 44	New customer	Tuen Mun	Fitting-out services for a residential development project	Not applicable	15,960	1,596	Unsuccessful	Not applicable
Project 45	Customer C	Tsz Wan Shan	Fitting-out services for residential buildings	May 2020 to May 2021	15,573	–	Tender submitted; Pending tender result	December 2018
Project 46	New customer	Tuen Mun	Fitting-out services for a residential development project	December 2018 to December 2019	14,907	1,491	Tender submitted; Pending tender result	December 2018
Project 55	Customer A	Kwun Tong	Fitting-out services for a residential development project	June 2020 to March 2021	14,829	–	Tender submitted; Pending tender result	March 2019
Project 48	Customer B	Kai Tak	Fitting-out services for residential buildings	January 2019 to April 2019	13,270	–	Tender submitted; Pending tender result	December 2018
Project 56	Customer A	Kwun Tong	Fitting-out services for a commercial development project	January 2020 to September 2021	13,198	–	Tender submitted; Pending tender result	January 2019
Project 60	Customer C	Causeway Bay	Fitting-out services for a residential development project	January 2019 to August 2020	11,117	–	Tender submitted; Pending tender result	January 2019

Project	Customer	Location	Type of project	Expected project duration	Expected contract sum *HK$'000*	Performance bond amount (if any) *HK$'000*	Tender status	Expected date of release of tender result
Project 49	Customer C	Tsz Wan Shan	Fitting-out services for residential buildings	May 2020 to May 2021	10,741	–	Tender submitted; Pending tender result	December 2018
Project 50	New Customer	Tuen Mun	Fitting-out services for a residential development project	December 2018 to December 2019	10,384	1,038	Tender submitted; Pending tender result	December 2018
Project 47	New customer	Sai Wan	Fitting-out services for a residential building	December 2018 to November 2019	10,288	1,029	Successful	Not applicable

Notes:

1. The new customer for such potential sizeable project is one of the top 10 property developers in Hong Kong.

2. The two new customers for these two potential sizeable projects are not the top 10 property developers in Hong Kong.

Obtaining performance bond

Approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for obtaining performance bond.

As at the Latest Practicable Date, we had submitted a tender for a residential development fitting-out project with a new customer, being a subsidiary of a property development and investment group listed on the Stock Exchange, with expected contract sum amounting to approximately HK$127.5 million (i.e. Project 32 under the table of potential projects as at the Latest Practicable Date as set out in the paragraph headed "**[REDACTED]**" in this section above). If our tender bid were successful, we would be required to obtain a performance bond amounting to approximately HK$12.8 million, representing approximately 10% of the expected contract sum.

Limited by our available financial resources and cash level as discussed in the paragraph headed "Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business" in this section, we had difficulties from undertaking projects from new customers historically as it is our Directors' experience that customers tend to require contractors whom they have not previously established business relationship to provide performance bond to secure their performance and obligations under the contracts. Due to the requirement of performance bonds, as part of our prudent financial management to ensure sustainable growth and capital sufficiency, our Directors were historically sceptical in submitting tenders for sizeable projects with new customers as evidenced from the limited number of tender submissions we had made. During the Track Record Period and up to the Latest Practicable Date, we had declined 6 tender invitations from new customers as we would be required to provide performance bond under these potential projects with aggregate expected contract sum of these declined projects amounting to over HK$675.6 million. On the other hand, during the same period, we had also submitted 16 tenders for projects with aggregate expected contract sum amounting to over HK$575.7 million that would require us to provide performance bond to both existing and new customers. 10 of these tenders were unsuccessful. Our Directors believe that these tenders were unsuccessful mainly because we were unable to offer a competitive price under our tender submissions as a result of the limitation of our financial resources in providing performance bond and bearing the upfront costs for the projects at the same time. Our revenue therefore concentrated among our top five customers during the Track Record Period as, in the view of our Directors, we were able to offer more competitive pricing for our tenders due to the fact that we were not required to obtain performance bond under our contracts with these customers as we have established long-term business relationship with them.

Nevertheless, our Directors consider that customer diversification is imperative to nurturing a sustainable business. While we have demonstrated efforts in reducing our reliance on our top five customers as discussed in the section headed "Business – Our customers – Customer concentration" in this document, our Directors consider that it is desirable to reserve cash for current and future projects that require performance bond and continue to enhance our available financial resources and strengthen our liquidity position in order to further diversify our customer base.

The aforementioned potential project is expected to commence in December 2018 and expected to be completed in December 2019. We therefore intend to apply the **[REDACTED]** for obtaining performance bond under the aforementioned potential project to secure our due and timely performance of our obligations. Should the **[REDACTED]** become unsuccessful, our Directors believe that we could only procure financial resources to finance such project by seeking relatively high interest-bearing loans from non-traditional financial institutions as we may not be able to obtain further loans from traditional banks at reasonable interest rates due to lack of further securities our Group could provide and the fact that personal guarantees by our Controlling Shareholders were already used for securing existing banking facilities as set out in the paragraph headed "Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business – Debt financing does not provide enough funding at reasonable costs" in this section. As the drawdown of high-interest bearing loans from non-traditional financial institutions would incur much higher finance costs and would deteriorate our Group's profit margin in the long run, our Directors therefore believe that the use of approximately HK$**[REDACTED]** million from the **[REDACTED]** to fund such potential project is to the benefit of the Group as a whole given the advantages of equity financing over debt financing as set out in the paragraph headed "Reasons for the **[REDACTED]** – Ease of raising funds in the capital market for future business development" in this section below.

Should our tender bid for this potential project become unsuccessful, we intend to allocate the portion of the **[REDACTED]** for obtaining performance bond for other upcoming potential sizeable projects with expected contract sum in the range of HK$100 million to HK$150 million or allocate the portion of **[REDACTED]** as upfront costs for other potential sizeable projects under the table of potential projects set out in the paragraph headed "**[REDACTED]**" in this section above.

Repayment of bank borrowings

Approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for repaying our bank borrowings.

Repaying our bank borrowings can minimise our future finance costs

As at 31 October 2018, our bank borrowings amounted to HK$**[REDACTED]** million with effective interest rates of bank borrowings ranging from HKD Prime Rate minus 0.5% to HKD Prime Rate plus 0.5% per annum, and flat rate of 4.2% and flat rate of 4.8%. Such bank borrowings had been renewed and taken out on an ongoing basis since the beginning of the Track Record Period for working capital purposes and have maturity periods ranging from repayment on demand to one year. Our Directors consider that in view of our expansion plan and historical rise in reliance on bank borrowings during the Track Record Period as well as the anticipated increase in interest rate going forward, it will be desirable for us to repay our bank borrowings taking into account the benefits of equity financing over debt financing as discussed in the paragraph headed "Reasons for the **[REDACTED]** – Ease of raising funds in the capital market for future business development" in this section above. In particular, given the anticipated increase in interest rates, our Directors expect interest incurred from bank borrowings will continue to increase at the same gearing level and therefore it will be beneficial for us to minimise our future finance costs through repaying our existing bank borrowings.

Also, as discussed in the section headed "Business – Business strategies and future plans – Expanding our market share through undertaking more sizeable fitting-out projects" in this document, it is of paramount importance for us to maintain financially sound and stable in order to take on extra sizeable fitting-out projects. We believe one way to achieve this is through repaying our bank borrowings, thereby lowering our gearing ratio so that our existing banking facilities can be reserved to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the fitting-out industry or severe disasters. It is anticipated that our financial position will improve to a healthier position by maintaining a low gearing level without disrupting our expansion plan to take on more sizeable fitting-out projects. Our Directors take the view that a low gearing level is desirable for us as a healthy financial position is one of the key factors which customers take into account when evaluating whether to award a certain project to a potential contractor. This is particularly so when such contractor is already undertaking a couple of sizeable projects for such single customer, such as Customer A, one of our top five customers during the Track Record Period, as it is necessary for the customer to ensure that the potential contractor has sufficient financial resources to fulfill its obligations under the contracts.

Expansion of workforce

Approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for expanding our workforce through hiring a total of 44 additional staff.

Deployment of own direct labour resources

Although we strategically subcontract on-site labour intensive works to our subcontractors in order to optimise our business operation, our Directors consider that going forward, it may be beneficial for us to carry out the labour intensive works using our own direct labour resources rather than subcontracting since, as demonstrated in the cost-savings analysis set out below, the use of our own labour resources would generally lead to a higher profit margin for our Group as compared to that of the adoption of subcontractors since we have more control as to the profit markup, as well as more control on the availability of labour resources and their performance. From a cost savings perspective, our Directors take the view that with the **[REDACTED]** from the **[REDACTED]**, we will be able to achieve a higher profit margin through using our own direct labour resources under our projects where appropriate. Given the cost savings benefits and the flexibility in choosing to deploy our own direct labour resources or subcontracting out where appropriate, the implementation of the plan to recruit additional direct workers is commensurate with our overall business strategy to strengthen our market position in light of the forecasted growth in the fitting-out industry in Hong Kong. Our Directors consider that our past approach in mainly outsourcing on-site labour intensive work to subcontractors was the result of optimised workflow adopted under the past financial and human resources constraints of our Group. Given the **[REDACTED]** would ease our cash restraints, it is well justified to take hold of such opportunity to achieve a higher profit margin where appropriate. In any event, with an expanded workforce, our Directors are free to decide whether to deploy direct labour resources or subcontracting out under our projects. Should it appear to our Directors that a certain potential project might not be able to achieve the best cost savings through deploying our own direct labour resources, our Directors can always choose to subcontract certain tasks to subcontractors. Such future plan presents a tool for our Directors in optimising human resources allocation, business operation and profitability.

Hiring additional project management and office staff

In addition, we may also need to hire additional project management and office staff to cope with our expansion plan. As at the Latest Practicable Date, our existing in-house team had been fully utilised. We expect that our manpower for our 8 major ongoing projects as at the Latest Practicable Date with expected project completion date in 2018 will be reallocated to other ongoing projects with expected completion dates in 2019. For example, 15 employees from our project department who are responsible for project 8 will be released from project 8 in December 2018. 13 of them will be reallocated to project 13 with expected project completion date in September 2019. The remaining two of them will be reallocated to project 10 and project 20 with expected project completion date in March

2019 and June 2019, respectively. Therefore, our Directors consider that our current number of project management staff would only be sufficient for our projects on hand. In view of our business expansion plan to capture a larger market share in the fitting-out industry in Hong Kong, our existing manpower is not sufficient to cater for the expected increase in number and size of projects. During the Track Record Period, we had declined and therefore did not submit bids for 52 tender/quotation invitations as a result of insufficient financial resources and/or manpower and the value of such declined tenders/quotations amounted to approximately HK$2,719.4 million in terms of expected contract sum.

We benefit from an expanded workforce

We pride ourselves in our project management capability, in particular in (i) sourcing quality fitting-out materials from our suppliers and engaging suitable subcontractors; (ii) monitoring the quality of works in each project; and (iii) completing our projects on time and efficiently. Our Directors believe that our revenue and profitability can be further improved by expanding our market share through undertaking more sizeable fitting-out projects with contract sum ranging from approximately HK$100 million to HK$150 million per project. With an expanded in-house team comprising back office staff, project management staff as well as direct workers, we believe we will be in a better position to practise efficient human resources management. Our experience in undertaking sizeable projects with large contract sums shows that these projects will take up our manpower for prolonged periods due to the substantial amount of project management work involved.

With an expanded team, we will be able to enhance our quality control over subcontractors and further improve project management work at the project sites and the quality of fitting-out works performed by our subcontractors, thereby encouraging our existing customers to continue to engage us for future projects and build up our reputation within the fitting-out industry in Hong Kong to attract new customers. Coupled with our plan to strengthen our financial position, an expanded in-house team will also allow us to undertake more sizeable projects to further improve our revenue and profitability. Our plan to hire direct workers to perform the fitting-out works instead of relying on subcontracting will further increase our flexibility in project management as we will be able to choose to rely on our existing subcontractors or perform the project works directly with our direct workers in our future projects, depending on our available resources.

Our Directors consider that substantial cost savings can be achieved if we are to employ additional direct labour for executing future projects instead of engaging subcontractors. The cost savings achieved can in turn allow us to adopt a more aggressive pricing strategy and offer a more competitive tender/quotation price over our competitors in the market, thereby raising our chance of securing a project. For further details of our pricing strategy, please refer to the section headed "Business – Our customers – Pricing strategy" in this document.

In a typical project, direct labour costs and subcontracting charges are generally inversely related as we may either make use of our own direct labour resources or engage subcontractors to perform site works. When opportunities for further expansion arise, our Directors intend to undertake future additional projects by our own direct labour resources without any substantial use of subcontractors because this would generally lead to a higher profit margin for our Group as explained in the cost-benefit analysis below.

We intend to hire 44 additional staff, of which 27 or approximately 61.4% of the additional staff will be direct workers, including 1 foreman and 26 skilled workers, in which the skilled workers are expected to be specialised in ceiling works. We intend to hire direct workers who are specialised in ceiling works because (i) save for Project 11, all our five largest fitting-out projects in terms of revenue contribution undertaken during the Track Record Period involve ceiling works (please refer to the section headed "Business – Our projects undertaken during the Track Record Period – Major projects" in this document for further details); (ii) a majority of our major projects on hand with total contract sum exceeding HK$10.0 million each as at the Latest Practicable Date involve ceiling works (please refer to the section headed "Business – Our projects undertaken during the Track Record Period – Projects on hand" in this document for further details); and (iii) a substantial amount of our subcontracting charges incurred during the Track Record Period was attributable to ceiling works and in particular, our subcontracting charges incurred from Subcontractor A, being one of our top five subcontractors providing ceiling and painting works to us during the Track Record Period, amounted to HK$34.4 million, HK$35.1 million, HK$60.2 million and HK$18.1 million, representing 16.7%, 12.2%, 12.7% and 10.4% of our total subcontracting charges for FY2015/16, FY2016/17, FY2017/18 and the four months ended 31 July 2018, respectively. As a result, our Directors consider that substantial cost savings could be achieved if we hire direct workers specialising in ceiling works.

Based on historical records, our Directors estimate that 26 additional skilled workers represents a sufficient pool of specialised ceiling workers and painters necessary for fitting-out projects involving ceiling works with contract sums in aggregate of approximately HK$40.0 million, without any substantial use of subcontractors for ceiling works. On the basis that the 26 additional skilled workers to be hired will be fully deployed for undertaking fitting-out projects involving ceiling works with contract sums in aggregate of approximately HK$40.0 million, our Directors estimate that our gross profit margin of these projects will improve by approximately 10.5 percentage points as a result of the cost savings achieved of approximately 13% using our own direct labour over engaging subcontractors. In any event, our Directors are not restricted to deploy all our direct workers in a single project. With an expanded permanent workforce consisting our own direct workers, our Directors retain the flexibility in deciding whether to deploy our direct labour resources or subcontract the ceiling works under our fitting-out projects, as well as the number of direct workers to deploy for a single or multiple projects, taking into account, from time to time (i) the awarded contract sum; (ii) our and our subcontractors' available manpower; (iii) subcontracting costs; (iv) customer requirements; and (v) the amount of ceiling works involved.

In order to expedite the expansion of our market share and to maximise the revenue generated and efficiency of works by the additional project management staff, our Directors intend to tender more sizeable fitting-out projects with contract sum ranging from approximately HK$100 million to HK$150 million going forward with the additional funding from the **[REDACTED]**. During the Track Record Period, we received 23 tender/quotation invitations for projects with contract sum each of HK$100 million or above while we had declined 8 of such tender/quotation invitations with aggregate expected contract sum amounted to over HK$1,625 million due to insufficient financial resources and/or manpower. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had received 5 tender invitations for projects with total contract sum over HK$100 million and we had submitted tender for all these 5 tender invitations the tender results of which were pending. Our Directors expect the hiring of these additional project management staff would enable our Group to undertake more sizeable projects in the future as demonstrated above given that we had responded to every tender invitation with each contract sum of HK$100 million or above subsequent to the Track Record Period and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, 3 new contracts with an aggregate original contract sum of approximately HK$119.8 million were awarded to our Group. For particulars of the tenders we had submitted for potential projects with expected contract sum exceeding HK$10.0 million subsequent to the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed "**[REDACTED]** – Payment of upfront costs – Our potential projects with expected contract sum exceeding HK$10.0 million" in this section.

Commercial rationale for expanding our workforce

The above allocation of **[REDACTED]** for expanding our workforce is expected to cover up to approximately 24 months' worth of basic salaries of the additional staff, which is considered by our Directors to be commercially prudent and sensible after taking into account the estimated timing of additional income and cash inflows to be generated as a result of the expansion of workforce and the uncertainties associated thereof. Our Directors consider that our Group should secure funding to cover the basic salaries of such additional staff for a period at least from the expected time of hiring up to the time when the additional workforce is able to generate sufficient additional income and cash inflows that enables us to cover the increased staff costs. There is a range of factors that may affect the length of time needed to achieve this. Our Directors consider that the allocation of **[REDACTED]** from the **[REDACTED]** to cover up to approximately 24 months' worth of basic salaries of the additional staff and our workforce expansion plan are financially prudent and commercially sensible for the following reasons:

A range of factors affect when our additional staff is able to generate sufficient cash inflow to cover our increased staff costs

Whether and when we will be able to generate sufficient cash inflow to cover our increased staff costs is affected by a range of factors including (i) the availability of suitable tender opportunities which in turn affects the number and scale of projects we are able to secure; (ii) the time required for the tender process before a project is awarded to us, typically ranging from approximately 1 to 5 months; (iii) the time required to generate net cash inflows from the commencement of a project, including the time required for execution of works, application for payments, progress certification, and credit period before payment is made, which can vary from project to project; (iv) the time required for completing our projects, typically ranging from 20 to 36 months from a project being awarded to us, during which progress payments received by us take time to reach a level that is sufficient to generate regular net cash inflows adequate to cover our increased staff cost; (v) the number of competitors in the market who are competing with us for the same project which in turn affects our chance of securing the project; (vi) the financial condition and commercial success of our major customers which in turn affects our ability to recover significant amounts of trade receivables, our cash flow and financial position; (vii) the liquidity risk we face in relation to working capital requirements associated with undertaking contract works causing a cash flow gap during the course of undertaking our projects; (viii) the possibility that the time and costs incurred in completing our projects may exceed our estimation giving rise to delays in completion of works and/or cost overruns; (ix) the underperformance or unavailability of our subcontractors resulting in unexpected delays in our scheduled completion time or even our ability to complete our projects; (x) whether our customers will remain solvent or will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. Given these range of factors affecting the time taken before we can generate sufficient income to cover our increased staff costs, our Directors consider that it is necessary to allocate sufficient **[REDACTED]** to maintain our additional workforce to cater for such uncertainties.

Uncertainty as to when we are able to recover our increased staff costs

We do not enter into any long-term agreements with our customers as contracts are awarded to us on a project basis either through a tender process or a quotation invitation. While our Directors are constantly seeking business opportunities in the market, our revenue is derived from projects which are non-recurring in nature and the number and scale of projects and the amount of revenue we are able to derive may vary significantly from period to period. Our Directors consider that it is not feasible to tender for and commit ourselves to more sizeable fitting-out projects than our workforce is able to cope with at any given time. This is particularly true when, based on our Directors' industry experience, new customers take into account the resources including manpower of a bidder when deciding whether to award a project to such potential service provider when establishing an initial business relationship. Although we were historically able to secure projects from major property developer customers during the Track Record Period without possessing a large workforce based on our long-standing business relationship with them, in light of our plan to expand our business and diversify our customer base (please refer to the section headed "Business – Our customers – Customer concentration – We plan to diversify our customer base"), we expect to undertake more sizeable fitting-out projects from both our existing customers and new customers. It is therefore important for us to demonstrate to both our existing customers and potential new customers that our resources, including our manpower, are capable of handling an even larger number of sizeable fitting-out projects when our existing customers are performing ongoing assessment and our potential new customers are performing their initial assessment on our ability to undertake their projects as demonstrated by the prequalification assessment conducted by our customers on our resources and job references. We also put our reputation and service quality at risk if we find ourselves not being able to put in sufficient manpower to our projects after those projects are awarded to us.

Given that as at the Latest Practicable Date, our existing in-house team had been fully utilised and that our current number of project management staff would only be sufficient for our projects on hand as discussed in the paragraph headed "**[REDACTED]** – Expansion of workforce" in this section, our Directors consider that it is necessary for us to gradually expand our workforce before we can take full advantage of the anticipated growth of the fitting-out industry pursuant to our business expansion plan.

Our additional staff will be remunerated monthly

All our additional staff, including the direct workers to be hired, will be remunerated monthly. With a stable and expanded workforce consisting our own direct workers, we expect to benefit from the following: (i) we can ensure that sufficient manpower is available, in particular our direct workers, when business opportunities do arise such as when a series of sizeable fitting-out projects are awarded to us and works are expected to commence at about the same time; (ii) our additional staff in particular our direct workers will benefit from a greater sense of commitment and job security, which translates into greater job satisfaction, thereby enhancing work quality and productivity; (iii) we can nurture a permanent and consistent workforce with strong teamwork and collaboration and is familiar with our own and customers' requirements, thereby enhancing work quality, customer satisfaction and our reputation; (iv) a permanent workforce offers greater flexibility in scheduling our projects, making sure we are able to address sudden changes by our customers and adhere to project timelines; and (v) work quality of a permanent workforce can be controlled and monitored effectively when compared to workers provided by our subcontractors.

As such, our Directors consider it is necessary for us to gradually expand our workforce and apply the **[REDACTED]** to fund the additional costs in maintaining the expanded workforce. Given that we have a genuine funding need as discussed in the paragraph headed "Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business" in this section, the **[REDACTED]** from the **[REDACTED]** represent an important source of funding to take advantage of the anticipated growth of the fitting-out industry. Further reliance on our existing operating cash flow and projected revenue growth to maintain our expanded workforce will impair our financial position.

Our existing financial position is not strong enough to maintain an expanded workforce

As demonstrated in the paragraph headed "Reasons for the **[REDACTED]** – We have a genuine funding need in order to expand our business – Our cash and bank balances was just sufficient to maintain our existing business operations" in this section above, if there is no additional funding from the **[REDACTED]**, our cash balance may not be sufficient to sustain our business should there be any adverse changes to our financial position, nor can we further strengthen our market position in the fitting-out industry in Hong Kong. As such, further reliance on our existing operating cash flow to maintain an expanded workforce is not feasible.

Particulars of the additional staff we intend to hire

For details of our implementation plan, please refer to the paragraph headed "Implementation plan" in this section. The table below sets forth particulars of the additional staff we intend to hire and the approximate expected annual salary range of the 44 additional staff:

Role	Position	Experience and qualifications	Number of staff to be recruited	Approximate monthly salary *HK$*
Accounting and finance	Senior Accountant	Degree or above in accounting with relevant experience of at least 8 years	1	25,000
	Accountant	Degree or above in accounting with relevant experience of at least 3 years	1	18,000
Administration and human resources	Administrative executive	Degree or above in human resources management with relevant experience of at least 5 years	1	22,000
	Administrative assistant	Degree or above in human resources management with relevant experience of at least 3 years	1	16,000

Role	Position	Experience and qualifications	Number of staff to be recruited	Approximate monthly salary *HK$*
Quantity surveying	Senior quantity surveyor	Degree or above in building or quantity surveying with relevant experience of at least 8 years	1	45,000
	Quantity surveying officer	Diploma or above in building or quantity surveying with relevant experience of at least 3 years	1	28,000
Drafting	Draftsman	Degree holder with relevant experience of at least 3 years	1	30,000
Project management	Senior project manager	Degree or above in building with relevant experience of at least 10 years	1	60,000
	Project manager	Diploma or above in building with relevant experience of at least 8 years	2	45,000
	Project coordinator	Diploma or above in building with relevant experience of at least 3 years	2	25,000
	Site supervisor	Certificate or above in building with relevant experience of at least 3 years	3	28,000
Safety and occupational health	Safety officer	Labour Department registered safety officer	1	45,000
	Safety supervisor	Holding safety and health supervisor (construction) course certificate	1	16,000
Direct workers	Foreman	Holding senior workers registration	1	35,000
	Worker	Registered skilled workers	26	32,500

General working capital

Approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) for general working capital of our Group.

The above allocation of the **[REDACTED]** will be adjusted on a pro-rata basis in the event that the **[REDACTED]** is fixed at the high-end or low-end compared to the mid-point of the **[REDACTED]** range. To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above, they will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

IMPLEMENTATION PLAN

The tables below set forth a summary of our implementation plan:

	The [REDACTED] to 31 March 2019	1 April 2019 to 31 March 2020	1 April 2020 to 31 March 2021	[REDACTED]	Percentage of [REDACTED]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Payment of upfront costs for new projects	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Obtaining performance bond	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Repayment of bank borrowings	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Expanding our workforce	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
General working capital	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
			Total	**[REDACTED]**	**100.0**

From the [REDACTED] to 31 March 2019

Business strategy	Implementation plan	[REDACTED]
		HK$'000
Strengthening our financial position	• Payment of upfront costs for new projects	**[REDACTED]**
Strengthening our financial position	• Obtaining performance bond	**[REDACTED]**
Strengthening our financial position	• Repayment of bank borrowings	**[REDACTED]**
Expanding our workforce	• Hiring 1 additional accounting and finance staff	**[REDACTED]**
	• Hiring 1 administration and human resource staff	**[REDACTED]**
	• Hiring 2 project management staff	**[REDACTED]**
	• Hiring 1 safety and occupational health staff	**[REDACTED]**
	• Hiring 12 additional direct workers	**[REDACTED]**

From 1 April 2019 to 31 March 2020

Business strategy	Implementation plan	[REDACTED] *HK$'000*
Expanding our workforce	• Additional staff costs for retaining the additional staff	**[REDACTED]**
	• Hiring 1 additional accounting and finance staff	**[REDACTED]**
	• Hiring 1 additional administration and human resource staff	**[REDACTED]**
	• Hiring 2 additional quantity surveying staff	**[REDACTED]**
	• Hiring 1 draftsman	**[REDACTED]**
	• Hiring 6 additional project management staff	**[REDACTED]**
	• Hiring 1 safety and occupational health staff	**[REDACTED]**
	• Hiring 10 additional direct workers	**[REDACTED]**

From 1 April 2020 to 31 March 2021

Business strategies	Implementation plan	[REDACTED] *HK$'000*
Expanding our workforce	• Additional staff costs for retaining the additional staff	**[REDACTED]**
	• Hiring 5 additional direct workers	**[REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-62, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

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

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YIELD GO HOLDINGS LTD. AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Yield Go Holdings Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-62, which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018 and 31 July 2018 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-62 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Notes 1 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Notes 1 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 2017 and 2018 and 31 July 2018 and the Company's financial position as at 31 July 2018 and of the Group's financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Notes 1 and 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2017 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Notes 1 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Notes 1 and 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Lo Kin Kei
Practising Certificate Number: P06413
Hong Kong, **[REDACTED]**

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018 (the "**Track Record Period**"), on which the Historical Financial Information is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Combined statements of profit or loss and other comprehensive income

	Notes	**Year ended 31 March 2016** *HK$'000*	**Year ended 31 March 2017** *HK$'000*	**Year ended 31 March 2018** *HK$'000*	**Four months ended 31 July 2017** *HK$'000* *(Unaudited)*	**Four months ended 31 July 2018** *HK$'000*
Revenue	5	240,149	346,391	560,283	167,313	209,538
Direct costs		(216,377)	(304,154)	(498,849)	(150,946)	(185,119)
Gross profit		23,772	42,237	61,434	16,367	24,419
Other income and gains/(losses)-net	6	94	(7)	56	38	(12)
Administrative and other operating expenses		(8,234)	(8,220)	(12,912)	(2,438)	(11,562)
Finance costs	10	(1,205)	(961)	(1,657)	(717)	(600)
Profit before income tax	7	14,427	33,049	46,921	13,250	12,245
Income tax expense	11	(2,567)	(5,910)	(8,327)	(2,207)	(2,936)
Profit and total comprehensive income for the year/period attributable to owners of the Company		11,860	27,139	38,594	11,043	9,309

Details of dividends are disclosed in Note 13 to the Historical Financial Information.

Combined statements of financial position

	Notes	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 31 July 2018 HK$'000
Non-current assets					
Property, plant and equipment	15	1,123	690	262	124
Deferred tax assets	26	–	–	–	34
		1,123	690	262	158
Current assets					
Contract assets	16	62,510	67,724	94,457	91,742
Trade and other receivables	17	24,479	37,817	39,122	56,462
Amount due from a director	18	–	11,748	–	–
Amounts due from related companies	19	20,199	–	–	–
Cash and bank balances	20	11,733	30,160	26,766	30,490
		118,921	147,449	160,345	178,694
Total assets		120,044	148,139	160,607	178,852
Current liabilities					
Contract liabilities	16	–	–	16,009	423
Trade and other payables	21	80,167	80,347	38,718	49,943
Amount due to a director	22	8,052	–	1,293	–
Bank borrowings	23	15,198	30,393	33,604	45,349
Finance lease liability	25	415	429	–	–
Current income tax liabilities		2,492	6,540	1,959	4,908
		106,324	117,709	91,583	100,623
Net current assets		12,597	29,740	68,762	78,071
Total assets less current liabilities		13,720	30,430	69,024	78,229

	Notes	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 31 July 2018 HK$'000
Non-current liabilities					
Finance lease liability	25	429	–	–	–
		429	–	–	–
Net assets		13,291	30,430	69,024	78,229
Capital and reserves					
Combined capital	27	200	200	200	200
Retained earnings		13,091	30,230	68,824	78,029
Total equity		13,291	30,430	69,024	78,229

Combined statements of changes in equity

	Combined capital *HK$'000* *(Note 27)*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
Balance as at 1 April 2015	200	1,231	1,431
Profit and total comprehensive income for the year	–	11,860	11,860
Balance as at 31 March 2016	200	13,091	13,291
Balance as at 1 April 2016	200	13,091	13,291
Profit and total comprehensive income for the year	–	27,139	27,139
Dividends declared *(Note 13)*	–	(10,000)	(10,000)
Balance as at 31 March 2017	200	30,230	30,430
Balance as at 1 April 2017	200	30,230	30,430
Profit and total comprehensive income for the year	–	38,594	38,594
Balance as at 31 March 2018	200	68,824	69,024
Balance as at 1 April 2018 (as originally stated)	200	68,824	69,024
Effect arising from initial application of HKFRS 9 *(Note)*	–	(104)	(104)
Adjusted balance as at 1 April 2018	200	68,720	68,920
Profit and total comprehensive income for the period	–	9,309	9,309
Balance as at 31 July 2018	200	78,029	78,229
(Unaudited)			
Balance as at 1 April 2017	200	30,230	30,430
Profit and total comprehensive income for the period	–	11,043	11,043
Balance as at 31 July 2017	200	41,273	41,473

Note: Upon the adoption of Hong Kong Financial Reporting Standard 9 "*Financial Instruments*" ("***HKFRS 9***") on 1 April 2018, the cumulative impact of approximately HK$104,000 was recorded as an adjustment to the retained earnings as at 1 April 2018, which are all due to additional impairment loss on trade receivables and contract assets made under the expected credit loss model under HKFRS 9 and its corresponding deferred tax impact as at 1 April 2018. More details are set out in Note 2.

Combined statements of cash flows

	Notes	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Four months ended 31 July 2017	Four months ended 31 July 2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/ (used in) operations	29	20,807	6,472	18,395	6,289	(7,412)
Tax paid		(573)	(1,862)	(12,908)	(1)	–
Net cash generated from/ (used in) operating activities		20,234	4,610	5,487	6,288	(7,412)
Cash flows from investing activities						
Interest received		–	–	2	–	–
Purchases of property, plant and equipment		–	(2)	(8)	–	(9)
Net cash used in investing activities		–	(2)	(6)	–	(9)
Cash flows from financing activities						
Interest paid	29	(1,205)	(961)	(1,657)	(717)	(600)
Proceeds from bank borrowings	29	82,671	113,393	124,776	53,256	45,965
Repayments of bank borrowings	29	(94,477)	(98,198)	(121,565)	(50,250)	(34,220)
Repayments of finance lease liability	29	(600)	(415)	(429)	(141)	–
Dividends paid		–	–	(10,000)	–	–
Net cash (used in)/ generated from financing activities		(13,611)	13,819	(8,875)	2,148	11,145

	Notes	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Net increase/(decrease) in cash and cash equivalents		6,623	18,427	(3,394)	8,436	3,724
Cash and cash equivalents at beginning of the year/period		5,110	11,733	30,160	30,160	26,766
Cash and cash equivalents at end of the year/period	20	11,733	30,160	26,766	38,596	30,490

Statement of financial position of the Company

	Note	As at 31 July 2018 HK$'000
Non-current assets		
Investment in a subsidiary		1
Current assets		
Cash and bank balances		53
Total assets		54
Current liabilities		
Amounts due to subsidiaries		64
Total liabilities		64
EQUITY		
Capital and reserves		
Share capital		–
Accumulated losses	28	(10)
Total equity		(10)
Total equity and liabilities		54
Net current liabilities		(11)
Total assets less current liabilities		(10)

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 May 2018 as an exempted company with limited liability. Its parent and ultimate holding company is Hoi Lang Holdings Ltd. ("**Hoi Lang**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned by Mr. Man Hoi Yuen ("**Mr. Man**"), Ms. Ng Yuen Chun ("**Mrs. Man**"), spouse of Mr. Man and Mr. Ho Chi Hong ("**Mr. Ho**").

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate information" to the Document. The Company is an investment holding company. The subsidiaries of the Company principally engage in fitting-out services and supply of fitting-out materials.

Throughout the Track Record Period, the group entities were under the control of Mr. Man and Mrs. Man. Through a corporate reorganisation as more fully explained in the paragraph headed "Reorganisation" in "History, development and reorganisation" to the Document (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group on 18 September 2018. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period.

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

Upon completion of the Reorganisation and as of the date of this report, the Company has the direct and indirect interest in the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	*Notes*
Link Shing Holdings Ltd. ("**Link Shing**")	Limited liability company incorporated on 11 May 2018, BVI	United States dollars ("**US$**")100.00	100% (direct)	Investment holding	1
Chun Shing Development Co., Limited ("**Chun Shing Development**")	Limited liability company incorporated on 29 January 2015, Hong Kong	HK$1.00	100% (indirect)	Provision of fitting-out services and supply of fitting-out materials	2
Hoi Sing Construction (H.K.) Limited ("**Hoi Sing Construction**")	Limited liability company incorporated on 21 February 2001, Hong Kong	HK$2.00	100% (indirect)	Provision of fitting-out services	3

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities	*Notes*
Hoi Sing Decoration Engineering Company Limited ("**Hoi Sing Decoration**")	Limited liability company incorporated on 21 September 1995, Hong Kong	HK$100,000.00	100% (indirect)	Provision of fitting-out services	4
Milieu Wooden Company Limited ("**Milieu**")	Limited liability company incorporated on 16 December 2010, Hong Kong	HK$100,000.00	100% (indirect)	Provision of fitting-out services and supply of fitting-out materials	5

Note 1: No audited statutory financial statements have been prepared for Link Shing since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

Note 2: The statutory financial statements of Chun Shing Development for the period from 29 January 2015 (date of incorporation) to 31 March 2016, which were prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") issued by the HKICPA, were audited by Richard S.K. Chan & Co., Certified Public Accountants (Practising), Hong Kong. The statutory financial statements of Chun Shing Development for the years ended 31 March 2017 and 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.

Note 3: The statutory financial statements of Hoi Sing Construction for the year ended 31 March 2016, which were prepared in accordance with SME-FRS issued by the HKICPA, were audited by Richard S.K. Chan & Co. Certified Public Accountants (Practising), Hong Kong. The statutory financial statements of Hoi Sing Construction for the years ended 31 March 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.

Note 4: The statutory financial statements of Hoi Sing Decoration for the year ended 31 March 2016, which were prepared in accordance with SME-FRS issued by the HKICPA, were audited by Richard S.K. Chan & Co. Certified Public Accountants (Practising), Hong Kong. The statutory financial statements of Hoi Sing Decoration for the years ended 31 March 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.

Note 5: The statutory financial statements of Milieu for the year ended 31 March 2016, which were prepared in accordance with SME-FRS issued by the HKICPA, were audited by Richard S.K. Chan & Co. Certified Public Accountants (Practising), Hong Kong. The statutory financial statements of Milieu for the years ended 31 March 2017 and 2018, which were prepared in accordance with HKFRSs issued by the HKICPA, were audited by Global Vision CPA Limited, Certified Public Accountants (Practising), Hong Kong.

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

The Historical Financial Information is presented in HK$, which is the same as the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the HKFRSs issued by the HKICPA are set out below. The Historical Financial Information set out in this report has been prepared under the historical cost convention, except as otherwise stated in the accounting policies below.

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

Adoption of Hong Kong Financial Reporting Standard 15 "Revenue from contracts with customers" ("HKFRS 15")

HKFRS 15 issued by the HKICPA is mandatory effective for the financial year beginning on or after 1 January 2018.

The Group has elected to adopt HKFRS 15 for the Track Record Period in the Underlying Financial Statements because the new accounting standard provides more reliable and relevant information for users to assess the amounts, timing and uncertainty of revenue and cash flows.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good and service transfers to customer.

Adoption of HKFRS 9

During the four months ended 31 July 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("**ECL**") for financial assets, contract assets and other items subject to ECL assessment, and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e, applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018 determined under HKFRS 9. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 (determined under HKFRS 9) are recognised in the opening retained earnings as at 1 April 2018, without restating the financial information for the years ended 31 March 2016, 2017 and 2018.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and Hong Kong Accounting Standard 39 "*Financial Instruments: Recognition and Measurement*" ("***HKAS 39***"), as well as contract assets, at the date of initial application on 1 April 2018.

	Financial assets/ financial liabilities/ contract assets	**Original measurement category under HKAS 39**	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39**	**Additional loss allowance recognised under HKFRS 9 and the respective deferred tax impact**	**New carrying amount under HKFRS 9**
				HK$'000	*HK$'000*	*HK$'000*
1.	Trade receivables	Loans and receivables	Financial assets at amortised cost	21,701	(123)	21,578
2.	Retention receivables	Loans and receivables	Financial assets at amortised cost	4,754	–	4,754
3.	Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	9,244	–	9,244
4.	Cash and bank balances	Loans and receivables	Financial assets at amortised cost	26,766	–	26,766
5.	Trade payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	34,856	–	34,856
6.	Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,862	–	3,862
7.	Amount due to a director	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,293	–	1,293
8.	Bank borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	33,604	–	33,604
9.	Contract assets	NA	NA	94,457	(2)	94,455
					(125)	
Recognition of deferred tax assets					21	
Total					(104)	

There were no financial liabilities which the Group had previously designated as at fair value through profit or loss ("**FVTPL**") or measured at amortised cost under HKAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measure ECL which use a lifetime ECL for all trade receivables and contract assets. To measure the ECL, the trade receivables and contract assets have been grouped based on shared credit risk characteristics.

The Group applies the HKFRS 9 general approach to measure ECL on retention receivables and deposits and other receivables. The Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-month ECL ("**12m ECL**"), since there has not been a significant increase in credit risk since initial recognition for retention receivables and deposits and other receivables. The ECL for bank balances is insignificant because such assets are placed in banks with good reputation and there has been no recent history of default in relation to these banks.

As at 1 April 2018, the additional credit loss allowance of approximately HK$125,000, together with the recognition of the corresponding deferred tax assets of approximately HK$21,000, totalling approximately HK$104,000 has been recognised against retained earnings as at 1 April 2018. The additional loss allowance is charged against the respective asset.

The additional impairment loss allowance upon the initial application of HKFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset and contract assets.

No loss allowance provision was recognised for retention receivables, deposits and other receivables and bank balances as at 31 March 2018 and 1 April 2018, respectively. The loss allowance for trade receivables and contract assets as at 31 March 2018 reconcile to the opening loss allowance as at 1 April 2018 is as follows:

	Contract assets	**Trade receivables**
	HK$'000	*HK$'000*
Closing balances as at 31 March 2018	–	–
Amounts remeasured through opening retained earnings	2	123
Opening balances as at 1 April 2018	2	123

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Track Record Period and which the Group has not early adopted:

		Effective for annual periods of the Group beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Group is in the process of making an assessment of what the impact of these new or revised standards, amendments and interpretations is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have an impact on the combined financial statements. Further details of the expected impacts are discussed below.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "*Leases*" and the related interpretations when it becomes effective.

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

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Historical Financial Information.

Total operating lease commitment of the Group as at 31 March 2016, 2017 and 2018 and 31 July 2018 amounted to approximately HK$1,263,000, HK$864,000, HK$432,000 and HK$1,624,000 respectively *(Note 30)*. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

2.2 Consolidation and combination

The Historical Financial Information includes the financial information of the Company and all its subsidiaries made up to respective year/period end dates during the Track Record Period.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.4 Merger accounting for common control combinations

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in HK$, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in the profit or loss on a net basis within other income and gains/(losses)-net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.7 Property, plant and equipment

The property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the depreciation straight-line method to allocate their cost to their residual values over their estimated useful lives or lease term, where applicable, as follows:

Furniture, fixtures and office equipment	20%
Motor vehicle	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the combined statements of profit or loss and other comprehensive income.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments (before adoption of HKFRS 9 as at 1 April 2018)

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2.9.1 Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Effective interest method

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

Income is recognised on an effective interest basis.

(b) Loans and receivables

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

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

(c) Impairment of financial assets

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

(d) Derecognition of financial assets

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.9.2 Financial liabilities and equity instruments

(a) Classification as debt or equity

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

(b) Equity instruments

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

(c) Financial liabilities

Financial liabilities of the Group (including trade and other payables, amount due to a director, bank borrowings and finance lease liability) are subsequently measured at amortised cost using the effective interest method.

(d) Effective interest method

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

Interest expense is recognised on an effective interest basis.

(e) Derecognition of financial liabilities

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

2.10 Financial instruments (after adoption of HKFRS 9 on 1 April 2018)

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2.10.1 Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(a) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Group's financial assets are subsequently measured at amortised cost.

(b) Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss.

(c) Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the four months ended 31 July 2018, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

(d) Impairment of financial assets and contract assets

The Group recognises a loss allowance for ECL on financial assets and contract assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, deposits and other receivables, amount due from a director, amounts due from related companies and cash and bank balances). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and contract assets and assesses the lifetime ECL for trade receivables and contract assets on a collective basis. The estimate of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(e) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history), (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(f) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(g) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(h) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(i) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

The ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate grouping.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

2.10.2 Financial liabilities and equity instruments

(a) Classification of financial assets

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

(b) Equity instruments

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

(c) Financial liabilities

Financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

(d) Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

(e) Derecognition of financial liabilities

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

2.11 Contracts with customers

Contracts with customers are contracts specifically negotiated with a customer. Its performance obligation is to construct an asset or a group of assets where its control is transferred over time. The accounting policy for contract revenue is set out in Note 2.22. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Contracts with customers in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the combined statement of financial position as the "Contract assets" (as an asset) or the "Contract liabilities" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables".

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if the payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.17 Borrowing costs

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

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

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting nor taxable profit or loss is affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefits

The Group operates defined contribution plans and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Historical Financial Information when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.22 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or service to a customer. "Control" refers to the customer's ability to direct the use of and obtain substantially all of the remaining benefits from an asset.

(a) Contract revenue

When control of products and services is transferred over time, revenue is recognised progressively using output method which recognises revenue on the basis of direct measurements of the value to the customer of the promised goods or services transferred to date relative to the remaining goods or services promised under the contract with the customer. The progress towards complete satisfaction of the performance obligations in the contract is determined based on the value of performance completed to date as a percentage of total transaction price to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

The values of performance completed to date of each of the individual contracts are determined by the Group based on surveys of the fitting-out works completed by the Group to date as stated on the payment certificates issued by the Group's customers or other representatives appointed by the Group's customers. Such payment certificates certifying the value of works carried out to date are issued taken into account of the payment applications submitted by the Group in relation to the actual amounts of works completed by the Group which are prepared based on internal progress reports of the Group.

In cases where the payment certificates do not take place as at the Group's reporting period-end dates or do not exactly cover periods up to the reporting period-end dates, the revenue for the period from the last payment certificates up to the reporting period-end dates is estimated based on the actual amounts of works performed by the Group during such period as indicated by the internal progress reports and the payment applications prepared by the surveyors of the Group and may also be determined with reference to the next payment certificates issued by the Group's customers or other representatives appointed by the Group's customers that takes place subsequent to the reporting period-end dates.

When control of products is transferred at a point in time, revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the Group transfers control over the products to the customer.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its combined statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group.

Any unconditional rights to consideration are presented separately as "Trade receivables".

Contract liabilities are obligations to transfer goods or services to customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the combined statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign currency risk

The assets and liabilities of each company within the Group are mainly denominated in their respective functional currencies. The directors are of the opinion that the volatility of the Groups profits against changes in exchange rates of foreign currencies arising from these assets and liabilities would not be significant. Accordingly, no sensitivity analysis is performed.

(ii) Cash flow and fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Dollar Prime Rate arising from the Group's Hong Kong dollar denominated borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow and fair value interest rate risks as the management considers that such risks are insignificant to the Group. The management monitors the Group's exposure on an ongoing basis and will consider hedging the interest rate when the need arise.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before tax for the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018 would have been decreased/increased by approximately HK$152,000, HK$304,000, HK$334,000 and HK$453,000, respectively. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year/period end had been applied to the exposure to interest rate risk for variable-rate bank borrowings in existence at each reporting period. The 100 basis points decreased/increased represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the end of next reporting period.

(b) Credit risk

Credit risk arises mainly from trade and other receivables, contract assets, amount due from a director, amounts due from related companies and cash and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and contract asset balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, there were 2, 2, 3 and 3 customers which individually contributed over 10% of the Group's trade and other receivables, respectively. The aggregate amounts of trade and other receivables from these customers amounted to 82.0%, 90.6%, 60.4% and 71.9% of the Group's total trade and other receivables as at 31 March 2016, 2017 and 2018 and 31 July 2018 respectively. The Group has set up long-term cooperative relationship with these debtors. In view of the history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk, inherent in the Group's outstanding receivables balance due from these debtors.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

The following table shows the Group's credit risk grading framework:

Category	Group definition of category	Basis for recognition of ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking information.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 July 2018 is determined as follows, the ECL below also incorporate forward-looking information.

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 90 days	Total
Trade receivables					
As at 31 July 2018					
Expected loss rate	0.1%	–	–	24.9%	
Gross carrying amount *(HK$'000)*	35,334	–	–	688	36,022
Loss allowance provision *(HK$'000)*	26	–	–	171	197

	Total
Contract assets	
As at 31 July 2018	
Expected loss rate	0.01%
Gross carrying amount *(HK$'000)*	91,752
Loss allowance provision *(HK$'000)*	10

The loss allowance provision for trade receivables and contract assets as at 31 July 2018 reconcile to the opening loss allowance for that provision is as follows:

	Contract assets *HK$'000*	Trade receivables *HK$'000*
As at 1 April 2018	2	123
Provision for loss allowance recognised in profit or loss	8	74
As at 31 July 2018	10	197

For the four months ended 31 July 2018, the provision for loss allowance was recognised in profit or loss in administrative and other operating expenses in relation to the impaired trade receivables and contract assets.

(ii) Other receivables

As at 31 July 2018, the internal credit rating of retention receivables and deposits and other receivables were performing. Management considered all of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, no loss allowance provision was recognised during the four months ended 31 July 2018.

The Group made no write-off of trade and other receivables during the Track Record Period.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient financial resources to fund their operations.

The following table details the remaining contractual maturities at the year/period end dates during the Track Record Period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating based on current rates at the reporting dates during the Track Record Period) and the earliest date the Group may be required to pay:

	On demand or within one year	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016				
Trade and other payables excluding non-financial liabilities	80,167	–	–	80,167
Amount due to a director	8,052	–	–	8,052
Bank borrowings	15,347	–	–	15,347
Finance lease liability	437	437	–	874
	104,003	437	–	104,440
As at 31 March 2017				
Trade and other payables excluding non-financial liabilities	70,347	–	–	70,347
Bank borrowings	30,759	–	–	30,759
Finance lease liability	437	–	–	437
	101,543	–	–	101,543
As at 31 March 2018				
Trade and other payables excluding non-financial liabilities	38,718	–	–	38,718
Amount due to a director	1,293	–	–	1,293
Bank borrowings	34,151	–	–	34,151
	74,162	–	–	74,162
As at 31 July 2018				
Trade and other payables excluding non-financial liabilities	49,943	–	–	49,943
Bank borrowings	45,496	–	–	45,496
	95,439	–	–	95,439

The following table summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments as set out in the loan agreements. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	On demand or within one year	Between one and two years	Between two and five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016				
Bank borrowings subject to a repayable on demand clause	15,347	–	–	15,347
As at 31 March 2017				
Bank borrowings subject to a repayable on demand clause	30,759	–	–	30,759
As at 31 March 2018				
Bank borrowings subject to a repayable on demand clause	34,151	–	–	34,151
As at 31 July 2018				
Bank borrowings subject to a repayable on demand clause	45,496	–	–	45,496

3.2 Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operations and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year/period end divided by the total equity as at each year/period end.

The gearing ratios during the Track Record Period are as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total debt	16,042	30,822	33,604	45,349
Total equity	13,291	30,430	69,024	78,229
Gearing ratio	120.7%	101.3%	48.7%	58.0%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue

The contract revenue and profit recognised on a project is dependent on management's estimation of the progress of the satisfaction of performance obligations of a construction contract over time, measured by the value of performance completed to date of the individual contract as a percentage of total transaction price. Because of the nature of the activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue, contract costs and variation order, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers and vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs and revises the budgeted construction costs as appropriate.

Significant judgement is required in estimating the value of performance completed, contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding contract revenue and profit to be recognised in an accounting period. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Impairment of trade receivables and contract assets

Before the adoption of HKFRS 9, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Since the adoption of HKFRS 9 on 1 April 2018, management estimates the amount of loss allowance for ECL on trade receivables and contract assets based on the credit risk. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

5 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue from performance of construction contract works in the ordinary course of business. Revenue recognised during the Track Record Period are as follows:

(a) Disaggregation of revenue from contracts with customers

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
By timing of revenue recognition:					
Control transferred over time	238,823	346,099	560,283	167,313	201,740
Control transferred at a point of time	1,326	292	–	–	7,798
	240,149	346,391	560,283	167,313	209,538

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
By type of services:					
Fitting-out services	238,823	346,099	560,283	167,313	201,740
Supply of fitting-out materials	1,326	292	–	–	7,798
	240,149	346,391	560,283	167,313	209,538

The chief operating decision maker of the Group during the Track Record Period has been identified as the executive directors of the Company. The chief operating decision maker regards the Group's business as a single operating segment and reviews the performance of the Group as a whole as reflect in the Historical Financial Information accordingly. During the Track Record Period, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March 2016	**Year ended 31 March 2017**	**Year ended 31 March 2018**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Customer A	162,677[1]	228,119[1]	366,322[1]	122,834[1]	136,372[1]
Customer B	64,960[1]	112,757[1]	55,878[1]	34,402[1]	19,956[1]
Customer C	N/A[2]	N/A[2]	83,202	N/A[2]	22,518[1]

1 The customer represents a number of companies within a group.

2 The corresponding revenue did not contribute over 10% of total revenue of the Group.

(b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as at 31 March 2018 and 31 July 2018.

	As at 31 March 2018
	HK$'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 March 2019	250,490
31 March 2020	–
After 31 March 2020	–
	250,490

	As at 31 July 2018
	HK$'000
Remaining performance obligations expected to be satisfied during the year ending:	
31 July 2019	382,940
31 July 2020	20,710
After 31 July 2020	–
	403,650

The Group applies the practical expedient in paragraph C5(d) of HKFRS 15 and does not disclose information about remaining performance obligations as at 31 March 2016 and 2017 expected to be satisfied in the future.

6 OTHER INCOME AND GAINS/(LOSSES) – NET

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Bank interest income	–	–	2	–	–
Net foreign exchange gains/(losses)-net	75	(7)	22	38	(12)
Sundry income	19	–	32	–	–
	94	(7)	56	38	(12)

7 PROFIT BEFORE INCOME TAX

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Profit before taxation has been arrived at after charging:					
Depreciation of assets under finance leases	325	433	433	144	–
Depreciation of owned assets	1	2	3	1	147
	326	435	436	145	147
Auditors' remuneration	60	246	246	82	33
Cost of materials and finished goods	69,263	82,561	192,740	57,279	53,239
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Operating lease rental in respect of machinery and equipment	954	45	55	22	–
Operating lease rental in respect of premises	432	432	432	134	176
Provision for loss allowance on trade receivables	–	–	–	–	74
Provision for loss allowance on contract assets	–	–	–	–	8
Staff costs, including directors' emoluments *(Note 8)*	14,988	21,233	32,191	10,750	11,765

8 EMPLOYEE BENEFITS EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowances and other benefits in kind	14,490	20,369	30,937	10,329	11,296
Retirement scheme contributions – defined contribution plan	498	864	1,254	421	469
	14,988	21,233	32,191	10,750	11,765

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The total expenses recognised in the combined statements of profit or loss and other comprehensive income during the Track Record Period and represented contributions payable to these plans by the Group at rates specified in the rules of plans. Except for the voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

9 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director for the Track Record Period is set out below:

	Fee	Salaries, allowances and other benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Executive Directors					
Mr. Man	–	1,356	–	18	1,374
Mrs. Man	–	–	–	–	–
Mr. Ho	–	720	300	18	1,038
	–	2,076	300	36	2,412
Year ended 31 March 2017					
Executive Directors					
Mr. Man	–	1,363	–	18	1,381
Mrs. Man	–	–	–	–	–
Mr. Ho	–	780	–	18	798
	–	2,143	–	36	2,179

	Fee	Salaries, allowances and other benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2018					
Executive Directors					
Mr. Man	–	1,408	–	18	1,426
Mrs. Man	–	–	–	–	–
Mr. Ho	–	832	–	18	850
	–	2,240	–	36	2,276
Four months ended 31 July 2018					
Executive Directors					
Mr. Man	–	477	–	6	483
Mrs. Man	–	–	–	–	–
Mr. Ho	–	260	–	6	266
	–	737	–	12	749
(Unaudited) **Four months ended 31 July 2017**					
Executive Directors					
Mr. Man	–	464	–	6	470
Mrs. Man	–	–	–	–	–
Mr. Ho	–	240	–	6	246
	–	704	–	12	716

Mr. Man was appointed as director of the Company on 9 May 2018, and was re-designated as an executive director of the Company on 7 June 2018. He was also appointed as chairman of the board of the directors of the Company on 6 December 2018. Mrs. Man was appointed as director of the Company on 9 May 2018, and was re-designated as an executive director of the Company on 7 June 2018. Mr. Ho was appointed as director of the Company on 9 May 2018, and was re-designated as an executive director of the Company on 7 June 2018. He is also the chief executive officer of the Company. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Chan Ka Yu, Mr. Lo Ki Chiu and Mr. Leung Wai Lim were appointed as independent non-executive directors of the Company on 6 December 2018. During the Track Record Period, the aforesaid independent non-executive directors have not yet been appointed and received no directors' remuneration in their capacity as directors.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, two of them are directors for each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2017 and 2018, whose emoluments are disclosed above. The emoluments in respect of the remaining three individuals for each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2017 and 2018 are as follows:

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Salaries, allowances and other benefits in kind	1,268	1,222	1,302	491	582
Discretionary bonuses	187	195	168	86	105
Retirement scheme contributions	53	51	54	18	18
	1,508	1,468	1,524	595	705

The emoluments of each of the above non-directors, highest paid individuals were below HK$1,000,000 for each of the three years. During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group.

10 FINANCE COSTS

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Interest on bank borrowings	1,168	939	1,649	713	600
Interest on finance leases	37	22	8	4	–
	1,205	961	1,657	717	600

11 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period.

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong profits tax					
– current tax on profits for the year/period	2,567	5,910	8,327	2,207	2,949
Deferred income tax *(Note 26)*	–	–	–	–	(13)
Income tax expense	2,567	5,910	8,327	2,207	2,936

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period except for the four months ended 31 July 2018, the two-tiered profits tax rates regime will be applicable to a subsidiary of the Group for its annual reporting period beginning on or after 1 April 2018.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Year ended 31 March 2016	**Year ended 31 March 2017**	**Year ended 31 March 2018**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	14,427	33,049	46,921	13,250	12,245
Calculated at the statutory tax rate	2,380	5,453	7,742	2,186	2,020
Entity subject to lower statutory tax rate	–	–	–	–	(165)
Tax effects of:					
Expenses not deductible for tax purposes	7	6	583	–	1,324
Tax losses not recognised	279	466	116	48	–
Utilisation of previous unrecognised tax losses	–	–	(80)	(4)	(265)
Temporary differences not recognised	(59)	5	26	7	22
Tax concession	(40)	(20)	(60)	(30)	–
Income tax expense	2,567	5,910	8,327	2,207	2,936

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of the tax losses at the end of the reporting period as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

The Group has unused tax losses of approximately HK$5,958,000, HK$8,784,000, HK$9,005,000 and HK$7,396,000 as at 31 March 2016, 2017 and 2018 and 31 July 2018, respectively, which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

12 EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Track Record Period that is prepared on a combined basis as set out in Notes 1 and 2.

13 DIVIDENDS

	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Four months ended 31 July 2017	Four months ended 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Final dividends declared by Hoi Sing Decoration	–	10,000	–	–	–

No dividend has been paid or declared by the Company since its incorporation.

The final dividends represented the dividends declared and paid by Hoi Sing Decoration, a subsidiary of the Company, to its then equity holders prior to the Reorganisation.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables				
Trade and other receivables excluding prepayments	24,428	37,779	35,699	52,545
Amount due from a director	–	11,748	–	–
Amounts due from related companies	20,199	–	–	–
Cash and bank balances	11,733	30,160	26,766	30,490
	56,360	79,687	62,465	83,035
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables excluding non-financial liabilities	80,167	70,347	38,718	49,943
Amount due to a director	8,052	–	1,293	–
Bank borrowings	15,198	30,393	33,604	45,349
Finance lease liability	844	429	–	–
	104,261	101,169	73,615	95,292

15 PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost			
As at 1 April 2015	663	412	1,075
Additions	–	1,444	1,444
Disposals	–	(412)	(412)
As at 31 March 2016	663	1,444	2,107
Accumulated depreciation			
As at 1 April 2015	658	412	1,070
Charge for the year	1	325	326
Disposals	–	(412)	(412)
As at 31 March 2016	659	325	984
Net book value			
As at 31 March 2016	4	1,119	1,123
Cost			
As at 1 April 2016	663	1,444	2,107
Additions	2	–	2
As at 31 March 2017	665	1,444	2,109
Accumulated depreciation			
As at 1 April 2016	659	325	984
Charge for the year	2	433	435
As at 31 March 2017	661	758	1,419
Net book value			
As at 31 March 2017	4	686	690
Cost			
As at 1 April 2017	665	1,444	2,109
Additions	8	–	8
As at 31 March 2018	673	1,444	2,117
Accumulated depreciation			
As at 1 April 2017	661	758	1,419
Charge for the year	3	433	436
As at 31 March 2018	664	1,191	1,855
Net book value			
As at 31 March 2018	9	253	262

	Furniture, fixtures and office equipment *HK$'000*	**Motor vehicle** *HK$'000*	**Total** *HK$'000*
Cost			
As at 1 April 2018	673	1,444	2,117
Additions	9	–	9
As at 31 July 2018	682	1,444	2,126
Accumulated depreciation			
As at 1 April 2018	664	1,191	1,855
Charge for the period	2	145	147
As at 31 July 2018	666	1,336	2,002
Net book value			
As at 31 July 2018	16	108	124

(a) Fixed asset held under finance leases

Motor vehicle includes the following amount where the Group is a lessee under finance leases.

	As at 31 March 2016 *HK$'000*	**As at 31 March 2017** *HK$'000*	**As at 31 March 2018** *HK$'000*	**As at 31 July 2018** *HK$'000*
Cost – capitalised finance lease	1,444	1,444	–	–
Accumulated depreciation	(325)	(758)	–	–
Net book value *(Note 25)*	1,119	686	–	–

16 CONTRACT ASSETS AND LIABILITIES

The Group has recognised the following revenue-related contract assets and liabilities:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Contract assets	62,510	67,724	94,457	91,752
Less: loss allowance	–	–	–	(10)
Contract assets – net	62,510	67,724	94,457	91,742
Contract liabilities	–	–	(16,009)	(423)
	62,510	67,724	78,448	91,319
Contract costs incurred plus recognised profits less recognised losses	604,000	738,155	768,865	1,041,527
Less: Progress billings received and receivables	(541,490)	(670,431)	(674,408)	(949,785)
	62,510	67,724	94,457	91,742

As at 31 March 2016, 2017 and 2018 and 31 July 2018, none of the Group's contract assets were impaired.

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional upon rending of the billings. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information. For the four months ended 31 July 2018, additional provision of approximately HK$8,000 was made against the gross amounts of contract assets.

(a) Revenue recognised in relation to contract assets and contract liabilities

The following table shows how much of the revenue recognised in the respective reporting period relates to carried-forward contract assets and contract liabilities.

	Year ended 31 March 2016	**Year ended 31 March 2017**	**Year ended 31 March 2018**	**Four months ended 31 July 2017**	**Four months ended 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	–	–	–	–	15,586
Transfers from the contract assets recognised at the beginning of the year/period to trade receivables	(43,404)	(62,510)	(65,943)	(46,764)	(82,135)

(b) Revenue recognised from performance obligation satisfied in previous periods

There was no significant amount of revenue recognised and reversed during the Track Record Period from performance obligations satisfied (or partially satisfied) in previous periods.

(c) Assets recognised from incremental costs to obtain a contract or cost to fulfil a contract with a customer

During the Track Record Period, there was no significant incremental costs to obtain a contract or cost to fulfil a contract with a customer.

17 TRADE AND OTHER RECEIVABLES

	As at 31 March 2016	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	21,454	28,013	21,701	36,022
Less: loss allowance	–	–	–	(197)
Trade receivables – net	21,454	28,013	21,701	35,825
Retention receivables *(Note (c))*	2,896	8,943	4,754	12,797
Other receivables, deposits and prepayments	129	861	12,667	7,840
	24,479	37,817	39,122	56,462

Notes:

(a) The credit period granted to customers are ranging from 21 to 30 days generally.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	15,753	23,199	16,389	35,308
31–60 days	–	330	450	–
61–90 days	174	36	2	–
Over 90 days	5,527	4,448	4,860	517
	21,454	28,013	21,701	35,825

Trade receivables of approximately HK$15,753,000, HK$23,199,000, HK$16,389,000 and HK$35,308,000 as at 31 March 2016, 2017 and 2018 and 31 July 2018 respectively were not yet past due, and approximately HK$5,701,000, HK$4,814,000, HK$5,312,000 and HK$517,000 as at 31 March 2016, 2017 and 2018 and 31 July 2018 respectively were past due but not impaired. The ageing analysis of the past due but not impaired trade receivables, based on past due dates, is as follows:

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0–30 days	–	330	450	–
31–60 days	174	36	2	–
61–90 days	414	–	4,251	–
Over 90 days	5,113	4,448	609	517
	5,701	4,814	5,312	517

(c) Retention receivables were not past due as at 31 March 2016, 2017 and 2018 and 31 July 2018, and were due for settlement in accordance with the terms of respective contract.

(d) As at 31 March 2016, 2017 and 2018, none of the Group's trade receivables were impaired.

(e) All the trade and other receivables are measured at amortised cost. The carrying amounts of the trade and other receivables are denominated in HK$.

(f) The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience, current past due exposure of the debtor and forward-looking information. For the four months ended 31 July 2018, additional provision of approximately HK$74,000 was made against the gross amounts of trade receivables.

(g) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

18 AMOUNT DUE FROM A DIRECTOR

Name of director	Maximum balance outstanding during the year/period ended 31 March 2016	31 March 2017	31 March 2018	31 July 2018	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Man	–	11,748	11,748	–	–	11,748	–	–

The balance is denominated in HK$. The amount due from a director is non-trade nature, unsecured, interest-free and repayable on demand.

19 AMOUNTS DUE FROM RELATED COMPANIES

Name of related company	Maximum balance outstanding during the year/period ended 31 March 2016	31 March 2017	31 March 2018	31 July 2018	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
海城五金家私制品(惠州)有限公司 ("**Haicheng Huizhou**")	19,427	16,063	–	–	16,063	–	–	–
海城(四川)裝飾工程有限公司 ("**Haicheng Sichuan**")	5,691	4,136	–	–	4,136	–	–	–
					20,199	–	–	–

The balances are denominated in HK$ and the relationship with the Group is set out in Note 31(a).

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

20 CASH AND BANK BALANCES

	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 July 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks	11,580	30,012	26,645	30,320
Cash on hand	153	148	121	170
Cash and cash equivalents	11,733	30,160	26,766	30,490

Notes:

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates.

(b) The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
HK$	11,509	29,976	26,261	29,917
RMB	22	41	347	420
EURO	112	106	121	116
US$	90	37	37	37
	11,733	30,160	26,766	30,490

21 TRADE AND OTHER PAYABLES

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Trade payables	78,739	67,851	34,856	44,467
Dividend payables	–	10,000	–	–
Accruals and other payables	1,428	2,496	3,862	5,476
	80,167	80,347	38,718	49,943

Notes:

(a) Payment terms granted by suppliers of materials and subcontractors are ranging from 0 to 30 days generally.

The ageing analysis of trade payables based on the invoice date is as follows:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
0–30 days	55,620	54,770	27,475	30,101
31–60 days	7,546	4,236	9	4,366
61–90 days	10,325	1,431	4,704	5,114
Over 90 days	5,248	7,414	2,668	4,886
	78,739	67,851	34,856	44,467

(b) All the trade and other payables are measured at amortised cost. The carrying amounts of the trade and other payables are denominated in the following currencies:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
HK$	80,167	78,479	38,091	48,972
RMB	–	1,868	627	971
	80,167	80,347	38,718	49,943

22 AMOUNT DUE TO A DIRECTOR

Name of director	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Mr. Man	8,052	–	1,293	–

The balance is denominated in HK$. The amount due to a director is non-trade nature, unsecured, interest-free and repayable on demand.

23 BANK BORROWINGS

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Current				
Bank borrowings	15,198	30,393	33,604	45,349

All the bank borrowings are analysed as follows *(Note)*:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Within 1 year	15,198	30,393	33,604	45,349
More than 1 year but not more than 2 years	–	–	–	–
More than 2 years but not more than 5 years	–	–	–	–
	15,198	30,393	33,604	45,349

Note: The amounts due are based on the schedule repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the bank borrowings approximately equal to their fair values, as the market interest rates are relatively stable.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the interest rates of the bank borrowings are ranging from Hong Kong Dollar Prime Rate minus 0.5% to Hong Kong Dollar Prime Rate plus 0.5% per annum, flat rate of 4.2% and flat rate of 4.8%, respectively.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at 31 March 2016	**As at 31 March 2017**	**As at 31 March 2018**	**As at 31 July 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	14,329	30,393	33,604	45,349
EURO	869	–	–	–
	15,198	30,393	33,604	45,349

24 BANKING FACILITIES

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the banking facilities for bank borrowings granted to the Group were secured by the followings:

(i) Unlimited personal guarantees and indemnity granted by Mr. Man and Mrs. Man;

(ii) Unlimited corporate guarantee granted by Hoi Sing Holdings (HK) Limited;

(iii) Personal property owned by Mr. Man; and

(iv) Proceeds in relation to all account receivables of one of the subsidiary of the Company.

The directors of the Company confirm that all of the guarantees and securities as set out in items (i), (ii) and (iii) above will be replaced by guarantees of the Company upon **[REDACTED]** of shares of the Company in the Main Board of the Stock Exchange of Hong Kong Limited.

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the Group has unutilised banking facilities for bank borrowings amounting to approximately HK$9,802,000, HK$1,277,000, HK$9,619,000 and HK$278,000, respectively.

25 FINANCE LEASE LIABILITY

As at 31 March 2016, 2017 and 2018 and 31 July 2018, the Group had finance leases repayable as follows:

	As at 31 March 2016		As at 31 March 2017		As at 31 March 2018		As at 31 July 2018	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	415	437	429	437	–	–	–	–
More than one year but not more than two years	429	437	–	–	–	–	–	–
More than two years but not more than five years	–	–	–	–	–	–	–	–
	844	874	429	437	–	–	–	–
Less: total future interest expenses		(30)		(8)		–		–
Present value of lease obligations		844		429		–		–

The Group's motor vehicle with aggregate net book value of approximately HK$1,119,000, HK$686,000, Nil and Nil as at 31 March 2016, 2017 and 2018 and 31 July 2018 respectively (*Note 15*) was secured as the rights to the leased asset revert to the lessors in the event of default and by the personal guarantee granted by Mr. Man.

The Group had committed finance lease facility which bore interest of 1.79% per annum as at 31 March 2016 and 2017.

The carrying amounts of all finance lease liability is denominated in HK$.

26 DEFERRED INCOME TAX

The components of deferred tax assets recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

Deferred tax assets arising from:	Provision for loss allowance on trade receivables and contract assets *HK$'000*
As at 1 April 2015 and 31 March 2016, 2017 and 2018	–
Effective arising from initial application of HKFRS 9	21
Adjusted as at 1 April 2018	21
Credited to combined statements of profit or loss *(Note 11)*	13
As at 31 July 2018	34

27 COMBINED CAPITAL

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Combined capital	200	200	200	200

For the purpose of the preparation of the combined statements of financial position, the balance of combined capital as at 31 March 2016, 2017 and 2018 and 31 July 2018 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by the controlling shareholders of the Company prior to the Reorganisation.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 9 May 2018 with an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each and one subscribers share was issued thereafter.

28 RESERVES

The Company

	Accumulated losses *HK$'000*
Balance as at 9 May 2018 (date of incorporation)	–
Loss and total comprehensive expense for the period	10
Balance as at 31 July 2018	10

29 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	Year ended 31 March 2016 *HK$'000*	Year ended 31 March 2017 *HK$'000*	Year ended 31 March 2018 *HK$'000*	Four months ended 31 July 2017 *HK$'000* *(Unaudited)*	Four months ended 31 July 2018 *HK$'000*
Profit before income tax	14,427	33,049	46,921	13,250	12,245
Adjustments for:					
Depreciation	326	435	436	145	147
Provision for loss allowance on trade receivables	–	–	–	–	74
Provision for loss allowance on contract assets	–	–	–	–	8
Interest expenses	1,205	961	1,657	717	600
Interest income	–	–	(2)	–	–
Operating profit before changes in working capital	15,958	34,445	49,012	14,112	13,074
(Increase)/Decrease in contract assets	(17,914)	(5,214)	(26,733)	17,864	2,705
Increase in trade and other receivables	(7,161)	(13,338)	(1,305)	(14,345)	(17,537)
(Increase)/Decrease in amount due from a director	–	(11,748)	11,748	(414)	–
(Increase)/Decrease in amounts due from related companies	(6,989)	20,199	–	–	–
Increase/(Decrease) in contract liabilities	–	–	16,009	–	(15,586)
Increase/(Decrease) in trade and other payables	37,682	(9,820)	(31,629)	(10,928)	11,225
(Decrease)/Increase in amount due to a director	(769)	(8,052)	1,293	–	(1,293)
Cash generated from/ (used in) operations	20,807	6,472	18,395	6,289	(7,412)

(b) Non-cash transaction

The non-cash transaction is analysed as follows:

During the years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2017 and 2018, addition to motor vehicle of approximately HK$1,444,000, Nil, Nil, Nil and Nil was financed by finance lease arrangement respectively.

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flow will be, classified in the Group's combined statements of cash flow as cash flows from financing activities.

	Bank borrowings	**Finance lease liability**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2015	27,004	–	27,004
Changes from financing cash flows:			
Proceeds from borrowings	82,671	–	82,671
Repayments of borrowings	(94,477)	(600)	(95,077)
Interest paid	(1,168)	(37)	(1,205)
Non-cash transaction *(Note 27(b))*	–	1,444	1,444
Other changes			
Interest expenses	1,168	37	1,205
As at 31 March 2016	15,198	844	16,042
As at 1 April 2016	15,198	844	16,042
Changes from financing cash flows:			
Proceeds from borrowings	113,393	–	113,393
Repayments of borrowings	(98,198)	(415)	(98,613)
Interest paid	(939)	(22)	(961)
Other changes			
Interest expenses	939	22	961
As at 31 March 2017	30,393	429	30,822
As at 1 April 2017	30,393	429	30,822
Changes from financing cash flows:			
Proceeds from borrowings	124,776	–	124,776
Repayments of borrowings	(121,565)	(429)	(121,994)
Interest paid	(1,649)	(8)	(1,657)
Other changes			
Interest expenses	1,649	8	1,657
As at 31 March 2018	33,604	–	33,604

	Bank borrowings *HK$'000*	Finance lease liability *HK$'000*	Total *HK$'000*
As at 1 April 2018	33,604	–	33,604
Changes from financing cash flows:			
Proceeds from borrowings	45,965	–	45,965
Repayment of borrowings	(34,220)	–	(34,220)
Interest paid	(600)	–	(600)
Other changes			
Interest expenses	600	–	600
As at 31 July 2018	45,349	–	45,349
(Unaudited)			
As at 1 April 2017	30,393	429	30,822
Changes from financing cash flows:			
Proceeds from borrowings	53,256	–	53,256
Repayment of borrowings	(50,250)	(141)	(50,391)
Interest paid	(713)	(4)	(717)
Other changes			
Interest expenses	713	4	717
As at 31 July 2017	33,399	288	33,687

30 COMMITMENTS

Operating lease commitments – Group as lessee

At the end of each of the Track Record Period, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March 2016 *HK$'000*	As at 31 March 2017 *HK$'000*	As at 31 March 2018 *HK$'000*	As at 31 July 2018 *HK$'000*
Within one year	435	468	432	744
In the second to fifth years inclusive	828	396	–	880
	1,263	864	432	1,624

The Group is the lessee in respect of premises under operating leases. The leases typically run for initial periods ranging from approximately 2 to 3 years.

31 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed in Notes 18, 19, 22, 23, 24 and 25 to the Historical Financial Information, management is of the view that the following entities/person are related parties of the Company and had transactions and balances with the Group during the Track Record Period.

(a) The directors of the Company are of the view that the following companies that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Hoi Sing International (HK) Limited ("**Hoi Sing International**")	A related company which was mainly controlled and owned by Mr. Man and Mr. Ho for the year ended 31 March 2016 and up to February 2017, then this related company is controlled and owned by Mr. Man Hoi Wang, Michael ("**Mr. Michael Man**"), the son of Mr. Man and Mrs. Man.
Hoi Sing Holdings (HK) Limited ("**Hoi Sing Holdings**")	A related company controlled and owned by Mr. Man and Mrs. Man.
Haicheng Huizhou	A related company was owned by Great Gold Development Limited which is owned and controlled by Mr. Man and Mrs. Man for the year ended 31 March 2016 and up to March 2017.
Haicheng Sichuan	A related company was owned by Mr. Man for the year ended 31 March 2016 and up to March 2017.
Mr. Chung Po Wang ("**Mr. Chung**")	He was a director of Hoi Sing Decoration, a subsidiary of the Company and resigned in December 2016.

(b) Transactions with related parties

		Notes	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2018 HK$'000	Four months ended 31 July 2017 HK$'000 (Unaudited)	Four months ended 31 July 2018 HK$'000
Hoi Sing Holdings	Rental expenses	(i)	432	432	432	144	176
Hoi Sing International	Supply of fitting-out materials	(ii)	926	261	–	–	–
	Staff costs	(ii)	–	31	25	25	–
	Provision of fitting-out services		–	–	27	–	–
Mr. Man	Provision of fitting-out services	(ii)	39	–	116	–	–
Mr. Chung	Provision of fitting-out services	(ii)	305	52	–	–	–
Haicheng Huizhou	Purchase of materials and finished goods	(ii)	20,274	30,385	–	–	–

Notes:

(i) The rental expenses for premises paid to Hoi Sing Holdings are based on the agreements entered into between the parties involved.

(ii) Supply of fitting-out materials, staff costs, provision of fitting-out services and purchase of materials and finished goods are based on terms mutually agreed between the parties involved.

(c) Outstanding balances with related parties

		Notes	As at 31 March 2016 HK$'000	As at 31 March 2017 HK$'000	As at 31 March 2018 HK$'000	As at 31 July 2018 HK$'000
Haicheng Huizhou	Trade payables	(i)	2,523	3,349	–	–
Hoi Sing International	Trade receivables	(ii)	763	146	146	–
	Trade payables	(i)	–	31	–	–
Mr. Man	Trade receivables	(ii)	39	–	116	–
Mr. Chung	Trade receivables	(ii)	39	–	–	–
Mr. Michael Man	Trade receivables	(ii)	220	–	–	–
Hoi Lang	Other receivables	(iii)	–	–	–	60

Notes:

(i) The trade payables to related parties are arising from purchase of materials and finished goods and/or staff costs. These balances are unsecured and interest-free.

(ii) The trade receivables from related parties are arising from provision of fitting-out work and/or supply of fitting-out materials. These balances are unsecured and interest-free.

(iii) The other receivables from ultimate holding company is non-trade nature, unsecured, interest free and repayable on demand.

(d) The emoluments of the directors and senior executives (representing the key management personnel) during the Track Record Periods are disclosed in Note 9.

32 CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Company does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

The Group had no significant contingent liabilities at the end of each of the Track Record Period.

33 SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 July 2018:

(a) The Reorganisation as set out in Note 1 was completed on 18 September 2018:

(b) The Company adopted a share option scheme on 6 December 2018, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Document.

(c) On 6 December 2018, the authorised share capital of the Company was increased from HK$**[REDACTED]** to HK$10,000,000 by the creation of an additional of **[REDACTED]** shares of HK$0.01 each.

34 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 July 2018.

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 March 2018 and the four months ended 31 July 2018 prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this document and the accountants' report set forth in Appendix I of this document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** on the audited combined net tangible assets of the Group attributable to owners of the Company as of 31 July 2018, as if the **[REDACTED]** had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the **[REDACTED]** been completed as at 31 July 2018 or of any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2018 as set out in the Accountants' Report in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 July 2018	Add: Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on the **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The unadjusted audited combined net tangible assets attributable to the owners of the Company is based on the audited combined net assets of the Group attributable to the owners of the Company of approximately HK$**[REDACTED]** as at 31 July 2018 as set out in the Accountants' Report in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** is based on the issue of **[REDACTED]** **[REDACTED]** at the **[REDACTED]** of lower limit and upper limit of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]** respectively, after deduction of the estimated **[REDACTED]** and other **[REDACTED]**.

3. The unaudited pro forma adjusted combined net tangible assets per Share are determined after the adjustments as described in Notes 1 and 2 above and on the basis that **[REDACTED]** Shares are issued and outstanding as set out in the section headed "Share capital" in this document but does not take into account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase. Shares referred to in the sections headed "Share capital – General mandate" or "Share capital – Repurchase of shares" in this document.

4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to owner of the Company as at 31 July 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 July 2018.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

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

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF YIELD GO HOLDINGS LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yield Go Holdings Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 July 2018 (the "**Unaudited Pro Forma Financial Information**") and related notes as set out in Section A of Appendix II to the document issued by the Company dated **[REDACTED]** (the "**Document**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Document.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the **[REDACTED]** (as defined in the Document) of the Company on the Group's financial position as at 31 July 2018 as if the **[REDACTED]** had taken place at 31 July 2018. As part of this process, information about the Group's financial information has been extracted by the directors from the Group's financial information for the four months ended 31 July 2018, on which an accountants' report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibility

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Document" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Lo Kin Kei
Practising Certificate Number: P06413
Hong Kong, **[REDACTED]**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 May 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 6 December 2018 with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible sercurities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or **[REDACTED]** of the **[REDACTED]**;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and general meetings requisitioned by shareholders

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 24 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "B. Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 May 2018. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 27 July 2018 and our principal place of business in Hong Kong is Unit 8, 39/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong. Mr. Ho has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of the Articles of Association is set forth in Appendix III to this document.

2. Changes in share capital of our Company

As at the date of incorporation of our Company on 9 May 2018, our authorised share capital was HK$380,000 comprising 38,000,000 Shares of HK$0.01 each, of which one fully-paid Share was issued and allotted to the subscriber. On the same date, the initial subscribing shareholder transferred one Share to Hoi Lang, and subsequently 99 ordinary Shares were issued and allotted to Hoi Lang for cash at par.

On 18 September 2018, as part of the Reorganisation, an allotment and issue of a total of 100 Shares, credited as fully paid, were made to Hoi Lang.

On 6 December 2018, the authorised share capital of our Company was increased from HK$**[REDACTED]** comprising **[REDACTED]** Shares of HK$0.01 each to HK$10,000,000 comprising 1,000,000,000 Shares of HK$0.01 each by the creation of an additional **[REDACTED]** Shares of HK$0.01 each.

Immediately following completion of the **[REDACTED]** and the **[REDACTED]** but without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme, **[REDACTED]** Shares will be issued fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed therein and in the paragraph headed "3. Written resolutions of our sole Shareholder passed on 6 December 2018" below, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 6 December 2018

By written resolutions of our sole Shareholder passed on 6 December 2018:

(a) our Company approved and adopted the Memorandum and the Articles of Association conditional upon **[REDACTED]** and with effect from the **[REDACTED]**;

(b) the authorised share capital of our Company was increased from HK$**[REDACTED]** comprising **[REDACTED]** Shares of HK$0.01 each to HK$10,000,000 comprising 1,000,000,000 Shares of HK$0.01 each by the creation of an additional **[REDACTED]** Shares of HK$0.01 each, each ranking equally with the Shares then in issue in all respects (the "**Increase in Authorised Share Capital**");

(c) conditional on (aa) the Listing Committee of the Stock Exchange granting the **[REDACTED]** of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this document; (bb) the **[REDACTED]** having been determined; and (cc) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]**:

   (i) the terms and conditions of the **[REDACTED]** were approved and our Directors were authorised to allot and issue the **[REDACTED]** pursuant to the **[REDACTED]**;

   (ii) the rules of the Share Option Scheme, the principal terms of which are set forth in paragraph headed "D. Share Option Scheme" of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments at the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such steps as they consider necessary, desirable or expedient to implement the Share Option Scheme;

   (iii) following the increase in authorised share capital and conditional further on the share premium account of our Company being credited as a result of the **[REDACTED]**, our Directors were authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par

[REDACTED] Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 6 December 2018 (as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking equally in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, script dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or on the exercise of options granted under the Share Option Scheme, or under the **[REDACTED]** or the **[REDACTED]**, Shares with a total number not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]**, and (bb) the total number of Shares which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to on sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with a total number of not exceeding 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the total number of Shares which may be repurchased pursuant to paragraph (v) above.

4. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report set forth in Appendix I to this document.

Save as disclosed in the section headed "History, development and reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

5. Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the **[REDACTED]** of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

(a) Hoi Lang was incorporated in the BVI on 8 May 2018 to act as an investment holding company of Mr. Man, Mrs. Man and Mr. Ho to hold their interests in the Company. Hoi Lang is authorised to issue a maximum of 50,000 ordinary shares of a single class with no par value. On 8 May 2018, 50, 30 and 20 shares of Hoi Lang, representing the entire issued share capital of Hoi Lang, were allotted and issued to Mr. Man, Mrs. Man and Mr. Ho, respectively.

(b) The Company was incorporated in the Cayman Islands on 9 May 2018 to act as the holding company of the Group. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares with par value of HK$0.01 each. Upon incorporation, one fully-paid subscriber Share was allotted and issued to the initial subscriber according to the Memorandum and Articles of Association, which was then transferred to Hoi Lang on the same day at par value and the Company became wholly-owned by Hoi Lang. A further allotment and issuance of 99 Shares were made on 9 May 2018 to Hoi Lang.

(c) Link Shing was incorporated in the BVI on 11 May 2018 and was authorised to issue a maximum of 50,000 ordinary shares of a single class with no par value. Upon incorporation, 100 shares were allotted and issued to the Company and Link Shing became wholly-owned by the Company.

(d) On 18 September 2018, the Company, Link Shing, Mr. Man, Mrs. Man and Mr. Ho entered into a sale and purchase agreement pursuant to which Link Shing agreed to acquire (a) 50,000, 30,000 and 20,000 shares, from Mr. Man, Mrs. Man and Mr. Ho, respectively, representing the entire issued share capital of Hoi Sing Decoration; (b) one share each from Mr. Man and Mrs. Man, representing the entire issued share capital of Hoi Sing Construction; (c) 70,000 and 30,000 shares from Mr. Man and Mrs. Man, respectively, representing the entire issued share capital of Milieu; and (d) one share from Mr. Man, representing the entire issued share capital of Chun Shing Development, in consideration of the Company allotting and issuing a total of 100 Shares, credited as fully paid, to Hoi Lang (as directed by Mr. Man, Mrs. Man and Mr. Ho). Upon completion of the acquisition, Hoi Sing Decoration, Hoi Sing Construction, Milieu and Chun Shing Development became direct wholly-owned subsidiaries of Link Shing and indirect wholly-owned subsidiaries of the Company.

The shareholding structure of the members of our Group upon completion of the Reorganisation is set out in the section headed "History, development and reorganisation" in this document.

6. Repurchase of our Shares by our Company

This paragraph includes the information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 6 December 2018, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate number of Shares in issue immediately following completion of the **[REDACTED]** and **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Cayman Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company. Subject to the provisions of the Cayman Companies Law, a repurchase may also be made out of the share capital of the Company.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately after the **[REDACTED]**, would result in up to **[REDACTED]** Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

Neither our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) the sale and purchase agreement dated 18 September 2018 entered into among (i) Man Hoi Yuen; (ii) Ng Yuen Chun; (iii) Ho Chi Hong (collectively the "**Vendors**"); (iv) Link Shing Holdings Ltd.; and (v) Yield Go Holdings Ltd., under which Link Shing Holdings Ltd. agreed to acquire (a) the entire issued share capital of Hoi Sing Decoration Engineering Company Limited from the Vendors; (b) the entire issued share capital of Hoi Sing Construction (H.K.) Limited from Man Hoi Yuen and Ng Yuen Chun; (c) the entire issued share capital of Milieu Wooden Company Limited from Man Hoi Yuen and Ng Yuen Chun; and (d) the entire issued share capital of Chun Shing Development Co., Limited from Man Hoi Yuen, in consideration of Yield Go Holdings Ltd. allotting and issuing a total of 100 shares in its share capital, all credited as fully paid, to Hoi Lang Holdings Ltd.;

(b) the Deed of Indemnity; and

(c) the **[REDACTED]**.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Group was the registered owner of the following trademark:

Trademark	Place of Registration	Trademark Registration number	Class	Expiry Date	Registered Owner
	Hong Kong	301842606	19	24 February 2021	Milieu

(b) Domain Name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registration Date	Expiry Date
www.yield-go.com	11 April 2018	11 April 2020

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(a) Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short position which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our shares

Name of Director	Capacity/Nature of interest	Number of Shares held(1)	Percentage of shareholding
Mr. Man(2)	Interest in a controlled corporation	**[REDACTED]**	**[REDACTED]**%
Mrs. Man(3)	Interest of spouse	**[REDACTED]**	**[REDACTED]**%

Notes:

(1). The letters "L" denotes the respective "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2). Hoi Lang held **[REDACTED]**% of the total issued share capital of our Company and Hoi Lang was in turn owned by Mr. Man (our executive Director and our chairman), Mrs. Man (our executive Director) and Mr. Ho (our executive Director and our chief executive officer) as to 50%, 30% and 20%, respectively.

(3). Mrs. Man is the spouse of Mr. Man. Therefore, Mrs. Man and Mr. Man are deemed or taken to be interested in the Shares held by Hoi Lang under the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held in the associated corporation(1)	Percentage of shareholding
Mr. Man	Hoi Lang	Beneficial owner	50 shares (L)	50%
Mrs. Man	Hoi Lang	Beneficial owner	30 shares (L)	30%
Mr. Ho	Hoi Lang	Beneficial owner	20 shares (L)	20%

Note:

(1). The letters "L" denotes the respective "long position" (as defined under Part XV of the SFO) of the relevant person/entity in the shares of the relevant associated corporation.

(b) So far as is known to our Directors, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name of substantial shareholder	Capacity/Nature of interest	Numbers of Shares held(1)	Percentage of shareholding
Hoi Lang(2)	Beneficial owner	**[REDACTED]**	**[REDACTED]**

Notes:

(1). The letters "L" denotes the respective "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.

(2). Hoi Lang held **[REDACTED]**% of the total issued share capital of our Company and Hoi Lang was in turn owned by Mr. Man (our executive Director and our chairman), Mrs. Man (our executive Director) and Mr. Ho (our executive Director and our chief executive officer) as to 50%, 30% and 20%, respectively.

2. Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company. The service contracts are initially for a fixed term of three years commencing from the **[REDACTED]** (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of these executive Directors is entitled to their respective basic salary set forth below.

The basic annual salaries of the executive Directors are as follows:

Name	Approximate annual salary *(HK$)*
Mr. Man	1,081,600
Mrs. Man	390,000
Mr. Ho	845,000

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letter of appointment are similar in all material respects. Each of them is appointed with an initial term of two years commencing from the **[REDACTED]** (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of Mr. Chan Ka Yu, Mr. Lo Ki Chiu and Mr. Leung Wai Lim is entitled to a director's fee of HK$180,000, HK$180,000 and HK$180,000 per annum, respectively. Save for Directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Directors' remuneration

(a) The aggregate amount of emoluments (including fees, salaries, allowances and other benefits in kind, discretionary bonuses and retirement scheme contributions) paid by our Group to our Directors in respect of the three financial years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018 were approximately HK$2,412,000, HK$2,179,000, HK$2,276,000 and HK$592,800, respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (including fees, salaries, allowances and other benefits in kind, retirement scheme contributions but excluding any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2019 are expected to be no more than HK$2,900,000.

(c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director or management of any members of our Group.

(d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018.

4. Fees or commission received

Save as disclosed in the section headed "**[REDACTED]** – Commissions and expenses" in this document, none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Connected transactions and related party transactions

Save as disclosed in the sections headed "Connected transaction", "Relationship with our Controlling Shareholders" and in note 31 to the Accountant's Report, the text of which is set forth in Appendix I to this document, during the two years immediately preceding the date of this document, our Company has not engaged in any other material connected transactions or related party transactions.

6. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this document:

(a) and taking no account of any Shares which may be taken up or acquired under the **[REDACTED]** or upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the **[REDACTED]** and the **[REDACTED]** will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the Shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the **[REDACTED]** either in his own name or in the name of a nominee;

(d) none of the Directors nor any of the parties listed in the paragraph headed "Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of our Group; and

(e) save in connection with the **[REDACTED]**, none of the parties listed in the paragraph headed "Qualifications of experts" in this Appendix:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

a. Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants (as defined in paragraph b below) had or may have made to our Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

b. Who may join

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph e below to:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group.

(collectively, the "**Eligible Participants**")

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

c. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10%, being **[REDACTED]** Shares, of the total number of Shares in issue immediately following completion of the **[REDACTED]**, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, where applicable). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph q below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

d. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates if that Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

e. Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

f. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed options to that Eligible Participant shall be taken as the date of such grant for the purpose of calculating the subscription price.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting at which the Board proposes to grant the proposed options to that Eligible Participant;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the relevant grantee) to the independent Shareholders as to voting;

(iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

g. Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provision of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement. Where the grant of options is to a Director, not with standing of the paragraph above, no options shall be granted to the Directors:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

h. Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

i. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

j. Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

k. Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than on his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph l, the grantee may exercise the option up to his entitlement at the date of cessation of being an employee (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with the Company or any of the subsidiaries, the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of the subsidiaries under paragraph l has occurred, the grantee or the personal representative(s) of the grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

l. Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty or he has become insolvent, bankrupt or has made arrangements with creditors, his option will lapse and not be exercisable after the date of termination of his employment.

m. Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

n. Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

o. Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

p. Ranking of Shares

The Shares to be allotted upon the exercise of an option shall not carry voting, dividend or other rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of an options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

q. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

r. Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs k, l, m, n or o;

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph o becomes effective;

(iv) subject to paragraph n, the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the

Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph h above or the options are cancelled in accordance with paragraph below.

s. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that the amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules. If the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

t. Cancellation of options

Subject to paragraph i above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

u. Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

v. Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

w. Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the **[REDACTED]** of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise; and

(iii) the commencement of dealings in Shares on the Stock Exchange.

x. Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

y. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the **[REDACTED]** of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Man, Mrs. Man, Mr. Ho and Hoi Lang (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) (being the material contract referred to in paragraph headed "B. Further information about our business – 1. Summary of material contracts" above) to provide indemnities on a joint and several basis, in respect of, among other matters:

a. tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered in) or occurring on or before the **[REDACTED]**, or as a consequence of any event which occurred on or before the **[REDACTED]** whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

b. any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (WUMP) Ordinance or any other applicable laws, rules or regulations on or before the date on which the **[REDACTED]** becomes unconditional; and

c. any claim to which any member of our Group may be subject and payable in respect of any disputes, arbitrations or legal proceedings occurring on or before the **[REDACTED]**.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 July 2018;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 August 2018 and ending on the **[REDACTED]**, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

i. carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 August 2018; and

ii. carried out, made or entered into pursuant to a legally binding commitment created on or before 31 July 2018 or pursuant to any statement of intention made in the document; or

(c) to the extent that such taxation or liability is/are discharged by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of such taxation or liability;

(d) to the extent that such taxation liabilities or claim arise or are incurred as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(e) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 July 2018 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

2. Litigation

Save as disclosed in the section headed "Business – Legal proceedings and claims" in this document, as at the Latest Practicable Date neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the **[REDACTED]** of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

The Sole Sponsor will also receive a fee of **[REDACTED]** to act as the sponsor to our Company in connection with the **[REDACTED]**.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately HK$67,000.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinions and/or whose names are included in this document:

Name	Qualifications
Grande Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) of the regulated activities under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Chan Chung	Barrister-at-law in Hong Kong
Ipsos Limited	Industry research consultant

7. Consents of experts

Each of the parties listed in the paragraph headed "Statutory and general information – E. Other information – 6. Qualifications of experts" in Appendix IV to this document has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands exempted companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the **[REDACTED]** accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this document:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Company has no outstanding convertible debt securities; and

(iv) neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(b) Our Directors confirm that save for the expenses in connection with the **[REDACTED]**, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2018 (being the date to which the latest combined financial statements of our Group were made up).

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

11. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Others

The English text of the document shall prevail over the Chinese text.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **[REDACTED]**;

(b) the written consents referred to under the paragraph headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this document; and

(c) copies of each of the material contracts referred to under the paragraph headed "Statutory and general information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two Int'l Finance Centre, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountant's Report from HLB Hodgson Impey Cheng Limited in respect of the historical financial information for the years ended 31 March 2016, 2017 and 2018 and four months ended 31 July 2018, the text of which is set forth in Appendix I to this document;

(c) the report on the unaudited pro forma financial information from HLB Hodgson Impey Cheng Limited, the text of which is set forth in Appendix II to this document;

(d) the audited combined financial statements of our Group for each of the three years ended 31 March 2016, 2017 and 2018 and the four months ended 31 July 2018;

(e) the Hong Kong legal opinion prepared by Mr. Chan Chung, barrister-at-law in Hong Kong, in respect of our Group's operation in Hong Kong;

(f) a commissioned report prepared by Ipsos Limited;

(g) the Companies Law;

(h) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(i) the material contracts referred to in the paragraph headed "Statutory and general information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this document;

(j) the service contracts referred to in the paragraph headed "Statutory and general information – C. Further information about Substantial Shareholders, Directors and experts – 2. Particulars of service contracts" in Appendix IV to this document;

(k) the rules of the Share Option Scheme; and

(l) the written consents referred to in the paragraph headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this document.